



UNIVERSITY OF AGDER

International Partnerships

The effectiveness of partnerships between International Organizations and Fair-trade associations, a study case of El Ceibo cooperative in Bolivia

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This Master's Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

University of Agder, 2011

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Preface

This master thesis counts for 30 ECTS points. This is a mandatory task to accomplish the two years degree in the Program of Master in Science of Business Administration with specialization in International Management at the University of Agder. The objective of the master thesis is to provide students the opportunity to apply scientific methods to analyze a specific problem. Such problem covers a topic related to the specific knowledge provided in the master program.

The reason why fair-trade was chosen as a topic for this master thesis is related to the interest I have about the topic and that I discovered when working for a NGO in charge of fair-trade production. Sustainable development is a way to fight poverty in Bolivia and it has been the main driver behind many experiences to provide better life conditions to farmers and producers with low incomes. As a result, I find important that people know about successful experiences and initiatives that bring development to a country hit by poverty.

I would like to express my sincere thanks to Stein Kristianssen, his accurate and precise guidelines enriched my research and set the basis under which my thesis should be carried out. His support and knowledge helped me to organize ideas that are part of this document. Special thanks to Chloé Dautre-Roussel from Chloe Chocolat, Fabio Sagliocca from Claro AG and David Erhart from Artisans du Monde, who provided me useful information to obtain an equilibrate analysis and a more precise perspective of my research.

My eternal gratitude to God, to my parents: Carmen, Juan, and my little brothers Bernardo and Ignacio. Their advices, support and love are the help and force that encourages me to achieve my goals. A special gratitude and thought for a person who backed me up during this process and was there whenever I needed her advice and help: Claire.

Abstract

Fair-trade and organic products are found more often in supermarkets and stores. The demand of products carrying the fair-trade certification is increasing and it becomes more often to see NGO's and fair-trade associations to enter and compete in market segments where big companies and for-profit organizations pursue activities. It is interesting to see how associations of farmers and cooperatives compete in specific market segments with their products, most of them sourced from organic products.

This master thesis analyzes a case of a cooperative of cocoa producers in Bolivia, whose products compete in a very specific segment of the chocolate industry: gourmet chocolates. This study case will use relevant theory regarding strategic partnerships, marketing management and entrepreneurship. Such theories will be used to explore and analyze how international partnerships work with associations of farmers in the Southern hemisphere, and the impact of their work on a cooperative of cocoa farmers, who arrived to a region on the border of the rainforest 30 years ago to produce cocoa beans, and now are a worldwide example of success on the production of organic and fair-trade cocoa beans and chocolates.

The purpose of this thesis is to provide a glance into how this process is carried out and the effectiveness from international partnerships between development agencies and a cooperative in Bolivia that produces organic cocoa and chocolates under the fair-trade scheme.

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LIST OF ACRONYMS

CSR	Corporate Social Responsibility
DEA	Drug Enforcement Agency
DED	Deutscher Entwicklungs Dienst (German Cooperation Agency)
EFTA	European Fair Trade Association
FLO	Fairtrade Labeling Organization
IAF	Inter American Foundation
ICCO	International Cocoa Organization
IFAT	International Fairtrade Association
KKFU	Kuapa Kokoo Farmers Union
NEWS	Network of European World Shops
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
USAID	United States Agency for International Development
WFTO	World Fair Trade Organization

CHAPTER I: INTRODUCTION

The fair trade movement has increased lately due to efforts made by international organizations to provide technical support to less developed regions and its inhabitants all over the world. In general such support is related to economical and technical support. People are offered an opportunity to associate, produce and sell products made by them, generating a permanent income for their families. The first aspect to be analyzed is the meaning of fair - trade. International organizations like the Fairtrade Labelling Organization (FLO), the International Fairtrade Association (IFAT), the European Fair Trade Association (EFTA) and the Network of European Worldshops (NEWS) agreed on a common definition for fair-trade:

“Fair trade is a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of marginalized producers and workers – especially in the South. Fair trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional trade.” (World Cocoa Foundation, 2005, p.2)

This research analyses a product traded in international markets, and whose production comes from least developed economies: cacao or cocoa beans. This product is found in tropical regions like Africa, Asia, Central and South America. In tropical regions associations of farmers have achieved to produce cacao under international requirements and standards. Technical support allowed them to qualify and get an official fair-trade certification from the Fairtrade Labelling Organization (FLO). This label grants associations the opportunity to sell cocoa beans under international prices which ensure fair and equal incomes once the production is sold to big international chocolate companies and an international premium.

The crescent demand of organic products such as coffee and cacao beans in international markets triggered the production of them. Since larger quantities are demanded, farmers team up to create associations and cooperatives in order to achieve international orders. Such associations were formed in order to collect and sell bigger quantities in the market. However there is another objective: team up in order to lower the power of big companies that buy cocoa or coffee beans.

Different mechanisms were created in order to counterfeit power of international buyers. For instance, umbrella organizations developed mechanisms to promote the environmental friendly production in developing economies. Agencies manage certifications to classify the quality of products and protect the benefits that farmers can obtain through selling their production. As a result fair-trade labeling was created. Once the minimum quality level was reached, there was another issue to take into account: the price. International buyers had a huge bargaining power and this situation undermines farmer's benefits. Under fair-trade labeling, products that obtain this certification enter to a new scenario: they sell their production according to international prices, and since the production is certified, farmers receive a premium.

Farmers receive technical assistance from international agencies in order to certify production to the Fairtrade Label Organization. Fair trade certification allows farmers to trade at a higher price and access to special lines of credits and technical assistance. One successful experience in Latin America is a Bolivian cooperative of cocoa farmers in Alto Beni, called El Ceibo. This cooperative was created when producers started to live in the Amazonian region in the 1970's after a governmental initiative to redistribute land for cacao production. Once the producers were organized, they defined three main task regarding cacao production: farmers harvest and select the beans; take beans to special facilities where beans ferment and dry; dried beans are transported to the factory in La Paz (El Ceibo, 2010)

Nowadays the cooperative has approximately 1200 members and obtained the official fair-trade label from FLO in 2000. After this certification farmers have access to lines of credit and cooperation from development agencies and international finance institutions, but above all the possibility to increase incomes and benefits. Those benefits imply dealing with the companies under the official price, reducing the bargaining purchasing power, and ensuring a steady income plus a premium. Fair-trade requirements establish an equal distribution of incomes among members and environmental friendly production. The efforts achieved by El Ceibo paid off, when they sold 400 tons of certified cocoa beans in 2004 (World Cocoa Foundation, 2005, p. 11) in the international market, the entire production of organic cocoa in 2004.

The questions emerging from the experience in Alto Beni Bolivia are related to the improvements achieved by the cooperative through the assistance and training received from international agencies and Non-Governmental Organizations. The research question emerging from El Ceibo cooperative is:

- Has international partnership improved the productivity of the Bolivian cooperative “El Ceibo”?

However since there is a broad range of possible answer in different scientific fields, the focus of the research is the managerial assistance provided to the cooperative. Research questions regarding the managerial field are:

- What was the managerial and organizational situation of the cooperative, before the assistance began?
- What type of knowledge was transferred to members of the cooperative?
- Which areas of the management were particularly enforced to improve the production of coca beans from “El Ceibo”?
- What type of skills did members of the cooperative receive in order to manage international orders and the logistics to accomplish purchasing orders?
- Was the international assistance entrepreneur oriented, aiming to turn the cooperative into a chocolate factory?

The objective of this research is to analyze the achievements of El Ceibo. The cooperative built partnerships with international companies and Non-Governmental Organizations. The obvious question concerning this fact is how important was the support of these actors in the development of the cooperative. It is important not only to identify which were the partners behind the success, but also analyze what the role of each partner was in terms of managerial support and training. Towards this analyze, results will help to explain why a small association of people in a completely isolated place in the Amazonian rainforest became skilled at producing a high quality cocoa beans known worldwide under environmental friendly techniques. Results will provide further information about how this association has grown from a small number of farmers to nearly 1200 farmers producing high quality cocoa beans.

The methodology chosen is qualitative. Qualitative research will use interviews with people in charge of providing technical assistance to “El Ceibo” association and people in charge of “El Ceibo”. Before applying interviews, a bibliographic survey will be performed. Articles and books will provide a perspective from the NGO’s and development agencies regarding fair-trade products and commodities.

The link between the bibliographic survey and the interviews is to perform a triangulation between what was written regarding the topic and what the people in charge of NGO’s and El Ceibo cooperative say. It is likely to happen that the perspective provided from agencies reflects only positive aspects from partnerships, while their partners express a different opinion. By triangulating the sources, the author and the reader will have the opportunity to analyze and discuss the information obtained from the actors involved in the partnership. Triangulation will allow comparing the different perceptions about the same topic that many actors have. It might be possible that the cooperative has a different opinion regarding partnership assistance from the one believed by international agencies who provided assistance to El Ceibo. On the other hand, scholars might support the opinions or concepts provided by the cooperative and international agencies.

According to similar experiences in other countries, it is required to look what studies and projects were performed and the results obtained in other regions were either cacao or coffee producers had the assistance of international agencies or multinationals. The analysis involves the search of technical or managerial support as well as the implementation of assistance projects.

The research will use theory regarding entrepreneurship, marketing management and strategic partnership. The reason behind the selection of such theories is due to the activities that performs El Ceibo today. The cooperative at the beginning was an association in charge of cocoa bean production, and through financial and technical assistance they decided to step up and create a factory in el Alto. The cooperative saw the opportunity to process and add more value to the product and enter in a new market, which is inferred as an entrepreneurial behavior. The marketing management is another important factor, since sales rely on an effective communication about its activities and the products offered. Finally, it is important to identify the institutions that make this small cooperative improve and develop throughout time, becoming strategic partners that provide assistance and development to El Ceibo.

CHAPTER II: BOLIVIA

2.1 Description of the country

Graphic 1: Map of Bolivia



Source: The World Factbook CIA, 2011

Bolivia is located in the centre of the South American continent, surrounded by Brazil on the North and East, Paraguay on the Southeast, Argentina on the South, Chile on the Southwest and finally Peru on the Northwest. Bolivia is twice the size of Spain or three times bigger than Japan: its size is 1,098,581 square kilometers (Hudson & Hanratty, 1989). According to estimations, the population in 2010 was 9,947,418 people; most of them live in the cities (CIA, 2010).

Classified as one of the poorest and least developed economies in Latin America, Bolivian main incomes come from the exploitation of natural sources, extraction and exportation of raw materials. The most important item that the country produces is natural gas. During the last years Bolivia gained importance due to the discovery of big natural gas fields, putting the country in a strategic position, since neighbor countries such as Brazil and Argentina consider natural gas a key component of their energetic matrix (CIA, 2010). As a result those countries have permanent contracts with Bolivia to secure a steady supply of natural gas.

Besides hydrocarbons exploitation, the country has a mining tradition. Since the Spanish conquest, the region was known for its metal reservoirs. Silver, iron and tin mines have provided big incomes to both state and private companies. Silver and tin mining companies work on the southwest side of the country: Potosi and Oruro. Last year iron extraction was started on the East, in Santa Cruz. Results from this new project will provide more incomes to the country and more money for social projects run by the government. Hence one of the big development drivers of Bolivian economy is natural resource extraction and exportation.

The rise in the world prices of hydrocarbons in 2004 helped the natural gas industry because prices of natural gas increased and the government renegotiated agreements with the economies that buy Bolivian gas: Brazil and Argentina. Bolivian economy benefited from the increasing prices of industrial metals like tin and zinc, and the prices of precious metals. The mining regions like Potosi and Oruro, the poorest in the country, saw an increase of private mining companies working in the region and hiring Bolivian workforce. Mining cooperatives run by the state increased production and incomes due to the new world prices too.

2.2 Demographic structure

In the first half of the twentieth century the majority of the Bolivian population was living in the rural areas (PNUD, 2009). The activities in the rural areas were focused on mining and agriculture. The industry sector was poorly developed. This situation implied a high demographic concentration where mining and agriculture activities were performed; altiplano and valleys (PNUD, 2009). This trend implied that only the 34.5 % of the population lived in the urban areas. However after the Agrarian Reform in 1953, the land distribution was restructured in order to benefit peasants. Nevertheless this reform triggered a migration to urban areas and neighbor countries where people could find better working conditions and bigger salaries.

Nowadays the Bolivian population is about 10 million people and most of them live in the big cities: La Paz, Cochabamba and Santa Cruz. In comparison to the beginning of the twentieth century, 73% of the population lives in urban areas (PNUD, 2009). 65% of the population in Bolivia consider themselves indigenous. The big indigenous groups in the country are: quechua, aymara, guarani and chiquitano (INE, 2011).

2.3 *Recent history*

Bolivia has a history full of social and political unrest. Throughout its life as a democratic republic, 83 different presidents were in charge of a country that was founded in 1825. According to the Bolivian constitution, each elected president should stay 5 years, a fact that has not accomplished during the 186 years of democratic republic life. In average each president governed the country for only 2 years and a half. This situation is partly explained by the permanent coup d'états that interrupted the democratic structure. The effects of these regimes still have its repercussions in the Bolivian economy; the country acquired loans that cannot pay; was involved in wars and lost part of its territory; extreme poverty and high levels of corruption in the entire public sector.

Since 1982 the country faces one of the longest democratic periods. The country had to face a severe economic crisis. The challenge to face by the democratic administration was the hyperinflation and the expansion of the cocaine production in the valleys and tropics of Bolivia. Hernan Siles Zuazo was the elected president in 1982; he symbolized the hope of the people who were looking for a new democratic era for the country. Nevertheless the economic crisis hit the Bolivians extremely hard. By the end of 1984 the inflation was 24,000 % (PBS, 2011). Jeffrey Sachs, a professor at the Harvard University at that time agreed to travel to Bolivia and analyze one of the biggest inflation rates in history.

According to Sachs, if radical measures wouldn't have been implemented, by the end of 1985, the inflation could have reached 60,000% (PBS, 2011). Such inflation rate was achieved by countries in a postwar time, being this case the first of its kind, when a country that was not involved in a war, and faced extreme economic conditions (PBS, 2011). The repercussions of the situation were experienced on the streets when people get paid in huge stacks of money, and they were rushing to turn the money into products before its value was reduced to at least one third after a couple of days (PBS, 2011).

The president declared the impossibility to pay the international debt. The critical situation ended with the resignation of the president, and the election of a new one in 1985. The 6th of August a new president was in charge of the country, Victor Paz Estenssoro, and 23 days later, the Supreme Decree 21060 was pronounced. In order to cut the inflation and put the country back on track, radical economic changes were implemented by the economics minister Gonzalo Sanchez de Lozada and the coordination of Jeffrey Sachs (PBS, 2011).

The decree had three main objectives: cut the inflation; open the economy to the free market and reduce the role of the government in the economy to just an entity of control, rather than management (PBS, 2011).

After August 1985, Bolivia has experienced a stable growth and one of the lowest inflation rates: 14%. The country entered in the open market and its effects were seeing through the privatization of the strategic companies, whose administration relied on the state. It was known that the corruption and lack of skills at managing companies were the main components of the state administration. This fact made the state an inefficient actor in the economy, especially if strategic companies were controlled by public officials.

The changes brought stability to the country in the economic sector; however the political fragility came back in 2003 when a plan to export natural gas to the United States became public. The plan suggested that the most efficient way to export natural gas to California was by building a pipeline to the Chilean coast. This idea was strongly criticized and rejected by the Bolivian society since there are strong feelings against Chile, which emerged after the Chilean army won the war and left Bolivia landlocked.

Soon demonstrations spread all over the country in order to stop the negotiations and force the government to step back. In response, the army and police forces were called to control and repress them. It had an opposite effect, instead of making demonstrations stop, demonstrations and blockades increased, collapsing the country and stopping any economic activity. After the first casualties among the people protesting on the streets, the objective was not only to cancel any negotiation with Chile, but to ask the immediate resignation of President Sanchez de Lozada. The government soon realized they have lost completely the control of the country and the situation. Few days later, the president left the country and left a letter with his resignation. This decision triggered the political instability that the Bolivian democracy faced in the past. As a result, six different presidents were in charge of the country between 2000 and 2006. After the national election that took place in 2006, the sixth president was elected. He was a person who emerged from the low class society and was portrayed as a symbol of the indigenous revolution: Evo Morales Ayma.

Under the Morales administration the country experienced a new phase that was the opposite of what had been done since 1985: nationalization of the strategic companies that were privatized by multinational companies. The logic behind this turn in the entire politic and economic structure is the left orientation of the newly elected president. Evo Morales claims that the resources that the country has, should belong to the people who live in the country, especially the poor sectors of the society. Morales aimed to reduce the power and influence that the United States government had over Bolivian presidents and their administration. According to the new president, the United States promoted privatization and the liberalization of the market, something that only brought poverty and more differences among citizens.

The administration gained even more popularity among the Bolivian society when they programmed a full restructuring of the constitution, by calling an assembly. This assembly was in charge of designing the new constitution that should focus on the development of the society, taking into account the empowerment of the indigenous people, and the respect of the natural resources that Bolivia has. Being the indigenous people more than 60% of the Bolivian population, Evo Morales represents the dreams of a sector in the society which was forgotten by neoliberal policies. People felt that instead of creating economic stability, poverty was increased and difference among people was notorious. Huge differences are seen between those who live in the cities from the farmers and peasants in the countryside.

In this sense the administration not only took control of the formerly privatized companies, but also decided not to pay any economic compensation. Such policy triggered the fears among foreign companies about the possibility to invest in Bolivia. The Bolivian government decided to expel the ambassador of the United States in 2009. This decision was the start of a series of governmental decisions to narrow the power of the U.S administration over Bolivia. Soon, the international cooperation agencies such as USAID, the Peace Corp and DEA where asked to leave the country, leaving development programs and projects cancelled. The DEA was working closely with public officials in order to control the production and traffic of drugs coming to and from Bolivia.

2.4 *Agriculture*

After the use of native plants for consumption, people started to search for different species and domesticate them by modifying features of plants according to the ecosystem where people lived and the conditions of the ground (Crawford et al, 2011). In South America indigenous developed techniques which allowed agriculture duties despite of the hard conditions near the cold mountains and in the humid rainforest. Once the Spanish conquerors arrived to the Andean territory they discovered that near the high mountains despite of the sterility of the ground, locals designed terrace systems and watering canals in order to keep basic agriculture conditions and the quality of the ground.

Agriculture was performed without the use of animal help, foot plow and hoes were used instead (Crawford et al, 2011). Animals were used only to carry the products from one place to another, horses and cattle were introduced by the conquerors early 1590. Spaniards discovered a whole different range of products from fruits to tubers and seeds. The most famous products found in the continent were: corn or maize, avocado, common bean, cacao, coca, manioc, papaya, peanuts, quinoa, huazontle, pepper, cotton, pineapple, amaranth, tomato, tobacco, sweet potato and sunflower (Crawford et al, 2011).

In the territory where Bolivia is, the diversity of the ground and the different altitude levels, allows farmers to produce different sort of products. Bolivian territory has been divided in three main regions: mountains or highlands, valleys and lowlands. High altitudes and mountains domain the west region and the composition of the ground and the cold weather conditions allow peasants to produce only potatoes, amaranth and quinoa, a seed produced near the Titicaca Lake. The terrace system, developed by the Incas was abandoned and today peasants rely on rain season to produce something in the region.

Before the Spanish conquest, terraces and water channels allowed a permanent irrigation of agriculture fields near the mountains. The Inca Empire built an advanced irrigation system that provided permanent water to both human and agriculture purposes. Once the Spanish crown took over the control of the territory and precious metals were found in the mountains, farmers were used as slaves and the agriculture techniques were left abandoned; farmers and people in charge of control of the channel system were employed in mining duties.

Bolivian valleys have an agricultural tradition. The valley area covers three departments: Cochabamba, Chuquisaca and Tarija. The valley region is located in the center of the country and the mild temperature allows grain production. Fruits from a mild weather such as orange, peach, apple and grapes are found in the valleys. The weather condition allows the farmers to produce vegetables and is common to find vineyards in the south of the country. Despite of the variety of the agricultural production, the production techniques do not use the latest methods. Agriculture in the valleys relies on weather conditions, the production is sensible to sudden changes and due to the low level of technologic development, sometimes the entire production is at risk (Arnade & McFarren, 2011).

Humidity is the main feature of the third and biggest region in Bolivia. It covers three states, two of them the biggest of the country: Beni and Santa Cruz. The production in this region has evolved and farmers use modern techniques, which grants them the opportunity to bigger production and the chance to export to neighbor countries. Vast sugarcane, rice, soya and sunflower fields are commonly seen in those regions. Other products like coffee beans, cocoa and tea are produced in a lower scale by cooperatives of farmers. Lowlands are partly used in agriculture, livestock and timber (New Agriculturist, 2001).

Tropical fruits like pineapple, papaya, passion fruit and bananas are produced in the most humid and tropical regions, on the rainforest border. The production is for the national market only. However, there are other commodities whose demand has increased lately. This phenomenon is partly due to quality and organic production techniques. Such products are almonds, coffee beans and cocoa, or cacao beans. Small cooperatives were established in the mid 70's in the Alto Beni region and in Yungas. Due to standards achieved by local producers, cacao and coffee production has risen and with them, the incomes to farmers.

International markets focused his interest in Bolivian commodities because of the low level of chemicals used in its production. However in the case of products farmed in the region of Alto Beni, producers face great difficulties due to the weather conditions and the poor development in roads that connect this area with the cities where the production is sold or refined. The variety and richness of production in the area is seriously undermined by the lack of road infrastructure and the political situation which causes permanent blockades by social movements in the area.

CHAPTER III: COMMODITY AND FAIR TRADE

3.1 *Commodity trade*

A basic and clear definition of commodity is provided by Sullivan and Shefrin:

“A product that is considered the same regardless of who makes or sells it is called a commodity...identical products are key to perfect competition: for one reason: the buyer will not pay for one particular reason company’s goods. The buyer will always choose the supplier with the lowest price” (Sullivan & Shefrin, 2007, p.152)

Commodities are divided in many branches according to its nature, such as industrial and precious metals, energy or agricultural. Typically products listed in any of these categories, have a certain level of refinement because they will be used as a component of a final product. The prices of commodities reflect the cost the extraction, gathering or harvest of the item. Grain prices, for example, cover the cost resulting from the entire activities that started with planting seeds until the grain is put in a storage place (Vaan Meerhaeghen & Wonnacott, 2011).

Agricultural commodity markets trade with items like cocoa beans, coffee, corn, sugar, soya, etc. Most of these items became valuable after the European expansion to the Indian Ocean and the discovery of the New World. Europe benefited from the production of them in the beginning but nowadays they are part of our daily lives one way or another. People involved in the production of such commodities are in most of the cases cooperatives of farmers, like in the case of coffee and cacao beans. On the other hand sugar, grains in general and soya are produced with modern techniques and the investment put in this case is certainly bigger.

This situation entails a different range of bargaining power when it comes to sale such commodities in the markets. Big producers have a bigger power to negotiate prices with potential buyers, and their role is the most important since there is no big difference between a specific type of commodity coming from a region and another coming from a completely different country (Vaan Meerhaeghen & Wonnacott, 2011). Small villages and cooperatives of farmers have less power against the international buyers. Since the main goal of them is to recover the investment and get a reasonable margin of benefits, the sellers might tend to act opportunistically, offering lower prices than the ones big producers offer.

This situation has become a concern to countries whose agriculture production is purchased abroad. Farmers generally plan their expected incomes in advance and according to them, they get loans from banks. However, agriculture is a very sensible activity because the performance of the production relies on factors such as weather, fertility of the ground and plagues. The quality of the production will reflect how much farmers could manage to control environmental factors, but even so, the quality might vary. At the end farmers in developing and least developed economies offer products at a price and foreign buyers offer them a lower one. Since farmers and cooperatives have to pay back loans, most of the cases they accept the offer knowing that to refuse it, implies keeping the entire production and failing to pay the loan and to support economically their families.

In that sense, countries created funds and programs that implied buying the entire production or subsidize the production of certain commodities. This action benefits farmers that produce at a lower scale and use the incomes for their familiar subsistence. Such programs allow farmers to sell the entire production to the state at a reasonable price and the state is in charge of selling the entire production from different cooperatives and negotiating with big buyers. Under this scenario bargaining power of buyers is lowered.

Another way of counterfeiting the power disadvantage from small cooperatives of farmers was the external aid and technical support provided by Non-Governmental Organizations, or big companies. The enforcements from NGO's are part of the assistance or developing projects run by international agencies, while on the other hand companies run a cooperation program, which belongs to the Corporate Social Responsibility (CSR) program of the company.

The main objective of assistance and aid is to boost the production of local farmers and get a certification that allows them to sell local production at a fixed price which includes the normal price and a premium. Under the new conditions farmers and cooperatives of farmers that produce commodities at a small scale, such as sugar cane, coffee, cocoa beans and tea, enter to another scenario where they can sell their goods: the fair trade market.

3.2 Fair Trade

The World Fair Trade Organization (WFTO) defines fair trade as:

“...a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South...”(WFTO, 2011)

Fair trade is almost 60 years old. According to WFTO, fair trade began in the United States, where handicrafts were bought and sold in the country by religious agencies. These initiatives had the main objective to provide aid to poor communities in the continent, especially in the South. The result of these efforts became stronger when in 1958 the first fair trade shop was opened in the United States (WFTO, 2011).

In the 1950's European initiatives were started by churches and agencies in charge of development and the first items that were traded were handicrafts. United Kingdom and the Netherlands lead the first fair trade programs, by buying handicrafts and cane sugar. The main purpose behind these first initiatives was to offer better conditions to people from least developed countries (Fairtrade Foundation, 2011). As a result Third World Shops were opened in 1969 (WFTO, 2011). Soon other products joined handicrafts; bananas and coffee from Central America were available in European stores (Raynolds et al, 2004, p. 1110).

Soon other religious or development agencies supported fair trade by starting to provide help to poor regions in the South. Their counterparts in developing countries were in charge of putting the programs into practice, by assisting poor communities in production. Most of these programs included training producers, organize them in cooperatives and help them to reinvest incomes in their communities. The logic behind this initiative was to provide small scale farmers in the South a better income rate, a fairer and equal trade with customers in Europe and North America and at the same time, a way to a better life quality and development (WFTO, 2011).

3.3 Fair trade labeling certifications

Until 1980 the efforts to introduce products into the fair trade kept on growing. These efforts were enforced when Max Havelaar was created in the Netherlands, an initiative from the Dutch development agency Solidaridad in 1988 (Fairtrade Foundation, 2011). The purpose of this agency was to set minimum quality levels in the market of fair-trade goods. Although first years of fair-trade were dedicated to help small scale farmers and peasants in the South, the fair-trade market had to improve some factors like the quality of the products offered in the market.

With the introduction of fair-trade certifications, the new focus was to think not only on the people who were producing any given good, but the customer who was buying fair-trade products in the market. The new trend behind fair trade caused many agencies to stop trading with goods, due to quality reasons. Consumers of fair-trade products want to make sure that their money will be used properly and will support sustainable development. The first product traded with this label was coffee from Mexico. Max Havelaar seeks that whenever a fair-trade product is sold, incomes are used properly. The organization provides a certification, which ensures that any product that buyers purchase have the following characteristics:

- *“guaranteed minimum prices*
- *long-term trading relationships,*
- *acceptable working conditions,*
- *fair-trade projects,*
- *environmentally sound production”* (Max Havelaar, 2011)

Max Havelaar is one of the efforts inserted in the fair-trade market in order to offer quality to the public, but also provide help to the farmers in the South. After this initiative, others emerged; early 90's other certification labels were created to enhance the quality of fair-trade products. Max Havelaar certifies products for markets in Belgium, Switzerland, Denmark, Norway and France. Fair-trade Mark was the brand in charge of certifying fair-trade products in the United Kingdom and Ireland. Transfair is provides fair-trade certifications for markets in Germany, Austria, Luxemburg, Italy, the United States, Canada and Japan.

In 1997 these initiatives decided to create the Fairtrade Labeling Organization, an umbrella institution in charge of providing certifications to products and create standards accepted in any market all over the world. Further efforts achieved by this institution include providing producers business support, inspecting and providing certifications to products, and one of the most important: create the Fairtrade Certification Mark which is put in any certified product. The Mark allows an easier export of products between countries and once they reach the market, informs consumers that they are purchasing a fair trade item (The Fair Trade Organization, 2011).

3.4 Development

The fair-trade movement has evolved since the first initiatives from agencies buying handicrafts until an umbrella organization certifying products all over the world. Handicrafts were gradually replaced by food products. According to the Fairtrade Labeling Organization: “...more than 1.2 million producers and workers in 58 developing countries now benefit from global fair-trade sales...”(The Fairtrade Labelling Organization, 2011). The sales increased 15% approximately during the last two years and in 2008 reported sales were 3.4 billion Euros worldwide. Fair trade products can be found now in supermarkets, bio shops, and companies that have introduced a line of products with entire fair-trade certification.

By expanding the scope of activities, fair-trade organizations promote awareness among people about the impact of purchasing fair-trade products and items produced by conventional trade. New opportunities and ways to offer fair-trade products has allowed organizations to build networks where not only the products can be offered but enable an efficient information flow regarding the impact of projects, studies and reports about fair-trade activities.

The fair-trade movement and its organizations have gained the recognition of European structures due to the achievements obtained in the last decades. European institutions and governments have highlighted those achievements, mostly oriented to improve people's life in least developed countries. Examples of such recognition are the resolutions referred to fair-trade passed in 1994, 1998 and 2006 in the European Parliament (WFTO, 2011).

On the other hand, fair-trade producers notice the difference and results of efforts and initiatives in that, cooperatives enjoy stable prices for certified products and a premium exclusively for life quality improvements projects in the cooperative villages. Such projects involve education, healthcare, or farming improvement investments (FLO, 2011). Once the cooperatives start to trade with their production, they still receive the assessment from the organizations, who become partners of the cooperative (FLO, 2011). International partners experience is crucial when it is time to negotiate with big sellers. The empowerment of the cooperatives through international partners is considered as an achievement since it was known that big buyers took advantage of the farmer's lack of knowledge, they were not trained to negotiate, export, and manage production and sales.

Coffee was one of the products that allowed the fair-trade movement to increase acceptance and demand in the market. Fair-trade Coffee beans is without a doubt one of the most known commodities traded and known in the market. It was early introduced by Dutch development agencies in 1973, brought from Guatemala and sold in fair-trade shops in the Dutch market. According to statistics coffee represents up to 50% of share from global fair-trade sales all over the world. The crescent expansion seeks that people who are purchasing an item that carries a Fair trade Label are sure that their money will be used to improve the communities and lives of producers in developing countries (Gorelik, 2009, p. 24). Among other food products coffee has helped Fair trade to enter to new market segments besides fair-trade shop networks. Coffee allowed the introduction of other commodities in the fair-trade market like cocoa.

CHAPTER IV: MAIN COMMODITIES IN FAIR TRADE:

COFFEE AND COCOA

4.1. Coffee

4.1.1 Starbucks

After a coffee crisis in the 90's, the farmers were forced to sell their production to a considerably lower price before prices started to decrease. To some point farmers had to sell the entire production from 2, 71 / lb to 0, 48 US dollars/ lb (Damlanian, 2005, p.27). When coffee prices got more stable, farmers still did not feel the improvements due to the procedure of selling the production. Farmers used to sell their production to intermediaries who collected the production of an entire region in order to negotiate a price with coffee companies. Despite of the high price paid to the intermediaries, farmers were still dealing with intermediaries at a lower price (Damlanian, 2005, p.27). In 2001 two thirds of the coffee supply came from small farms and cooperatives. This fragmentation was a huge advantage to intermediaries, because they were taking advantage of the poorly organized coffee farmers.

This situation raised the attention of NGO's and development agencies, which tried to provide help to coffee farmers. Development projects were aimed to increase the quality of coffee production and obtain an organic certification which allows farmers to receive a higher price over their production. Even if this organic certification was obtained, there was another challenge: a commercial partner in the market. This partner should be interested in buying the production and support the farmers with a long term agreement (Argenti, 2004, p.107).

On the other side, coffee companies are attracted to this type of partnership because they develop social responsibility projects (Argenti, 2004, p.108). This is the case of coffee producers in Guatemala and Mexico. NGO's can use different approaches to contact companies and let them know the importance of engaging in a sustainable development program. Some use an aggressive media attack and some others prefer to negotiate and invite companies and let them know the impact of sustainable development programs. Starbucks faced both of the situations explained above. In 2000 the annual shareholder's meeting took place in San Francisco was interrupted by demonstrations organized by Global Exchange.

The objective of the protests was to make public the company practices regarding coffee beans purchase and their lack of interest about fair-trade products (Argenti, 2004, p.105). Although Starbucks started already some approaches to the fair trade market since 1997, this direct threat from Global Exchange could potentially undermine the brand image among customers. As a result, the company decided to arrange a meeting with the NGO in order to find an agreement and lower the protests that were rising all over the United States. Global Exchange had an efficient communication strategy that was used before against another big company: Nike. Argenti addresses the effectiveness of the NGO:

“...as evidenced in Global Exchange’s campaign against Nike, this NGO had established a reputation for successfully executing unrelenting, aggressive, and damaging campaigns that ended in the targeted situation to its demands. Starbucks understood that Global Exchange posed a credible threat and would pursue its campaign until Starbucks relented.” (Argenti, 2004, p.101)

Starbucks planned a one year evaluation program that involved purchasing fair trade coffee. This program entailed risks to the company due to the quality of the coffee: farmers were not trained to select coffee beans and this fact could damage the image among customers who were used to buy a top quality coffee.

On the other hand Starbucks wanted to prove the public and Global Exchange their concern about social issues and the support to the fair trade cause. The situation was not favorable to Starbucks’ interests, especially when the agreements with coffee suppliers involved a price of 1, 20 \$ per pound, and with the fair-trade system, the price was higher: 1, 26\$. Even if the difference was not big, the concern of the company was the supplier’s reaction to this new actor in the supply chain, and the extra costs of finding good quality fair-trade producers.

The period of evaluation started in 2001 and after that Starbucks decided to purchase a percentage of fair-trade coffee. According to Starbucks, it was complicated to find and engage in a long term agreement with fair-trade coffee producers due to the quality. Despite of the certified organic production, farmers were not skilled at selecting and producing a uniform quality of coffee beans. Starbucks decided to engage in another program with another NGO taking into account the improvement of coffee producers (Damlanian, 2006, p. 31). It was discovered that they were not aware of the importance of the process of selecting beans and classifying coffee quality.

This situation had a very simple and surprising explanation: coffee producers were not fans of drinking coffee (Damlanian, 2006, p. 31). Global Exchange expected a higher involvement of Starbucks by a bigger purchase of fair-trade coffee beans, instead of the implementation of another project. Nevertheless campaigns against the company were stopped, and even if critics remained it was clear that Starbucks lowered the impact of them over the brand name and company reputation.

Another relevant partnership of Starbucks is Oxfam America, CEPCO and the Ford Foundation. In July 2002 the company started a program with another NGO, Oxfam America (Damlanian, 2006, p. 40). This program involved working with CEPCO in Oaxaca, one of the poorest regions with a tradition of coffee production in Mexico. CEPCO is among the biggest association of coffee producers in Mexico, with 16000 farmers organized in 44 cooperatives (Damlanian, 2006, p. 40).

Initial problems emerged between the four organizations; The Ford Foundation provides loans to organizations that promote democratic values, poverty relief or international cooperation. However the foundation could not give the money directly to Starbucks, because the foundation does not provide grants to companies that pursue profits. Oxfam America wanted to provide assistance and help to CEPCO but there was the challenge to find a company with a brand name to sponsor the project and be willing to buy the production of coffee. Oxfam America had to face the critics of NGO's because they were seen as a useful tool for Starbucks to become greener. Part of the critics came from Global Exchange (Argenti, 2004, p.108). CEPCO's fears involved the quality of production and the perception of the international partners. Another big issue was the language barrier because CEPCO employees spoke only Spanish.

The goals of this partnership involved a improvement of the skills of farmers both in production and management of production and once those goals were achieved, the partnership wanted that the knowledge gained could be spread all over the region (Argenti, 2004, p.109). Starbucks wanted to increase the quality of coffee production in the region but at the same time gain another supplier. Disregarding the training farmers received, Starbucks and Oxfam America pursued to enhance the range of opportunities for coffee farmers and CEPCO, which implied opportunities for farmers to trade and sell quality coffee to other companies besides Starbucks (Argenti, 2004, p.109).

Soon people discovered another use: cocoa beans could last seven years, and as a result it became a currency in the whole region where now is Mexico and Guatemala. The crops were still counted as another trade currency and when one was broken, locals were using them as *chocolatl* cups. This primitive economic system lasted until the Spanish conquerors arrived to the New World (Bergman, 1969, p.3).

4.2.2 Spanish conquerors and the colony

According to Bartolome de las Casas in his book *Historia General de las Indias*, the first time Spanish encounter cocoa beans was by pure mistake since they thought they were almonds. Soon they realized that it was a completely different thing. When they realized the use of the beans and the drink that was made out of the beans, Spaniards didn't like the taste at all. The strange taste as a result of mixing pepper, chili, vanilla, herbs and cocoa beans with water was not to their liking. Later, while entering and discovering new territories, they found vast plantations of cocoa in the South of Mexico, Guatemala and the North region of El Salvador.

Soon part of the cocoa was sent to the court in Spain, alongside with the required equipment and additional spices that were used to turn the beans into a drink. Once the drink was done, people decided to add sugar cane. Once they achieved the desired taste, the drink was the delight of the country, to the point that they decided to keep the imports of cocoa beans for the national consumption only. Meanwhile, the Spaniard conquerors enforced the production and plantation of cocoa trees in Central America (INAFORESTA, 2011).

On their pursuit to increase the production of cocoa beans the Spanish started to explore more territories far south. The discoveries were only referred to similar trees randomly planted next to some villages and its consumption was only for the families established in the rainforest region (WCF, 2010). On the other hand, Portuguese were informed about cocoa beans and as a result some governors decided to try to produce cocoa and get some benefits out of exports to Portugal.

The huge advantage of the Portuguese colonies was the cheap and increasing slave trade from Africa. But since the enslaved labor was not trained for cocoa harvesting, they mixed them with local natives whose experience was valuable. Natives were not slaves, so they received a small payment out of cocoa producing duties (Walker, 2007, p. 2).

The transport from the New World to Europe was carried out by the French Dutch and Spaniards. Cocoa use was spread all over Europe where other techniques and products were developed. During the 18th century the European market saw a boom in cacao demand. Meanwhile in the New World the production increased substantially, especially in the region under Spaniard administration.

In 1822 the first cocoa beans were brought to Africa, Portuguese experimented to plant it in San Thomé island (Howes, 1946, p. 1). After this initial attempt, the production of cocoa beans has spread all over the West Africa. Despite of the procedure and the techniques to production of cocoa beans, Portuguese had another advantage: labor work, most of them composed by slaves. Years later the production of cocoa was enforced by English interests in 1880 and after spread to other regions, it was found that the uniformity of what is nowadays cocoa from Africa is due to the first seed brought from the Amazonas region in Brazil.

4.2.3 The cocoa market in the 20th Century

In the 20th century cocoa bean production was concentrated in Ghana, Nigeria, Ivory Coast and Cameroon. Africa supplies two thirds of the cocoa to the world market (Howes, 1946, p. 2) with Ivory Coast as the main supplier of cocoa beans worldwide since 1999. This boom of production started in 1975, when the high prices motivated an intensive program of plantation of cocoa trees. This initiative showed its results few years later because Ivory Coast increased the production from 230,000 tons of cocoa beans to nearly 1.2 million tons in 1999 (Gray, 2000, p. 4). Ivory Coast, Ghana and Indonesia account nearly 75% of the global production. Ivory Coast produces 45%, and far down is Ghana with 17%. Both countries share the same style of production: small scale farmers, whereas in Indonesia large scale farming is more common (Barrientos, 2010, p.22).

Downstream in the cocoa value chain, compression is seen as well among chocolate companies. 43% of global sales are performed by ten manufacturers; Nestlé, Ferrero, Cadbury Schweppes, Mars Hershey and Kraft Foods are found in this group. The percentages explained above are directly linked to the major consuming countries of chocolate. According to the International Cocoa Organization (ICCO, 2010, p.4), in 2009 chocolate was purchased mostly in the United States (750,000 tons), Germany (317,000 tons), France (235,000 tons), the United Kingdom (225,000 tons) and the Russian Federation (200,000 tons) (ICCO, 2010, p.4).

Throughout the development of the fair-trade movement, many endeavors were created, with random results. The persistence and efforts put in certain projects allowed some of them to remain in the fair-trade market despite of financial crisis, changes in trends and structures of markets. In fact, some companies became known worldwide due to the quality of their fair-trade products and the impact of sales over the people in charge of the production of such items. Companies involved in social causes and fair trade try to highlight social issues among people and show how to improve lives of poor people in developing economies. The most successful experiences seen in the fair-trade market, related to the commodity market, will be explained below.

4.2.4 Cadbury Chocolates

Ghana owns part of its economic development to cocoa production. After the first attempts to produce cocoa at the end of the nineteenth century, the landscape of the country saw a boom in cocoa trees plantations (Baah, 2008, p.395). The crescent demand of cocoa in developed economies in the twentieth century triggered the production of cocoa in countries, where weather conditions allowed the production of the crop. This benefited Ghana because the country was the biggest producer until the beginning of 1960 (Baah, 2008, p.395). Even if Ivory Coast has become the leader in cocoa production, Ghana still relies on the incomes obtained through cocoa production.

The contribution of cocoa to the Ghanaian economy represented 40% of the exported products and a 12% of the gross domestic product (Baah, 2008, p.395). In other words, cocoa production is the only income way for at least 400,000 families (Baah, 2008, p.395). Nevertheless, the national production dropped considerably at the beginning of 1961, due to lack of knowledge referred to agriculture techniques. Accurate assistance would have impelled diseases and pests to infect cocoa plantations and spread all over the country. Hence, Ghana experienced drops of nearly 400,000 tons in cocoa production (Baah, 2008, p.395).

Due to the crescent concern in the public about products with social and environmental friendly standards, companies decided to invest more on social responsibility problems (Barrientos, 2010, p.15). As a result, least developed economies were benefited with assistance and development programs in areas such as agriculture, health and education.

In Ghana Chocolate companies centered their attention on farmers and the pursuit to improve life quality and fight another social issue linked to cocoa production: child labor (International Cocoa Initiative, 2011).

The British chocolate Cadbury started to buy cocoa at the beginning of the twentieth century (Barrientos, 2010, p.15). Ever since the company has carried out purchases of cocoa production and encourage the production all over the country. 15% of cocoa exports from Ghana are sold to Cadbury's; this volume is explained by the quality of the cocoa produced in the country. Cadbury decided to invest in corporate social responsibility programs in farmers communities (Barrientos, 2010, p.15).

Cadbury is one of the oldest chocolate companies all over the world, and it began to sell chocolates in 1824 in Birmingham (Barrientos, 2010, p.28). In 1969 merged with Schweppes and the company owns 130 factories all over the world, employing 50,000 people and 40,000 direct suppliers (Barrientos, 2010, p.28), among those cocoa bean farmers in Ghana. Due to its long term cocoa supply since early 1900's, the company counts the cocoa produced in Ghana as a key source (Barrientos, 2010, p.27). Despite of the fluctuation on the international cocoa market, Cadbury has remained purchasing cocoa beans from Ghana because of the high quality level achieved by farmers.

Alongside this quality there were issues exposed to the public in the United Kingdom and the United States 2000 and 2001 (Barrientos, 2010, p.28). People discovered that the chocolate sold in their markets contained a cocoa produced by children. Child labor was employed in West Africa in order to achieve orders of chocolate companies. In 2008 extensive surveys regarding this issue were carried out in Ivory Coast and in Ghana. The results were appealing: 46,7% of the children in Ghana were exposed to at least one hazardous activity that involved cocoa production activities (ICI, 2011). From this percentage, only 23.3% were wearing special protective clothing. Further issues involving child labor in Ghana implied slavery and traffic of children.

Cadbury decided to run a project in Ghana in order to monitor standards of production of cocoa beans. This project is known as the Cadbury Cocoa Partnership (Cadbury, 2011) and the company pursued to engage in a long term program to improve lives of farmers and their communities through a deeper involvement with NGO's and governmental agencies (Cadbury, 2011).

The partnership has three main objectives:

Improve cocoa farmer incomes. The company will encourage farmers to increase the performance and the quality of the cocoa production.

Invest in the development of the communities. Cadbury will pursue to improve lives of farmers through the supporting education programs, that include donations to schools and libraries and environment programs regarding biodiversity projects and cleaner safer water supply.

Partnership work. The company designed a model that involves the coordinated work between farmers, governments, NGO's and international agencies to invest in the most efficient way the money collected for development programs in Ghana (Cadbury, 2011). 70% of the partnership funds will be invested in small farms communities where cocoa is produced and sold to the company. The products that use cocoa beans from Ghana are: Cadbury Dairy Milk, Wispa, Flake, Crème Egg and Buttons (Cadbury, 2011).

The company has created several social impact projects in Ghana, which belong to the CSR program. Some of them are:

Well building program. Since 2000, Cadbury finances a project to provide water to communities through the construction of wells. With the coordination of the British NGO Water Aid a further expansion of activities was planned (Barrientos, 2010, p.28).

Earthshare program. This is a 3 year program designed to research and analyze the biodiversity of cocoa plants all over the country and the improvement of the cocoa production (Barrientos, 2010, p.28).

Barrientos explains the interest and strong bonds built since the beginning of the twentieth century between Cadbury and Ghana:

“...Ghana is an important source of quality cocoa for Cadbury, and helps to distinguish it as a brand in the mainstream – quality segment of the chocolate market...Cadbury is in a position to support the Ghanaian cocoa sector in enhancing its longer – term economic, social and environmental sustainability”(Barrientos, 2010, p.28)

4.2.5 Day Chocolate Company

Ghana produces 16% of the cocoa beans supply in the world market. With other countries in West Africa, they produce the cocoa that was brought by the Portuguese from Brazil. The government in Ghana was in charge of the collection of cocoa beans and the further offer to big chocolate companies. Prices were set by the state until 1993 when the government entered into a special agreement with the World Bank that involved liberating trade and exchange operations ran by the state (Doherty & Tranchell, 2005, p.167). Since the state used to buy the entire cocoa bean production of farmers, the government had bargaining power over world buyers. The buyers had to negotiate only with the government and once it decided to stop buying the production of cocoa beans, farmers were in charge of contacting buyers, leaving them alone without much assistance (Doherty & Tranchell, 2005, p.170). The lack of negotiation skills, banned farmers to increase production or earn higher than when the government was in charge of contacting world chocolates producers. On the other hand, chocolate companies could negotiate cheaper prices of the production.

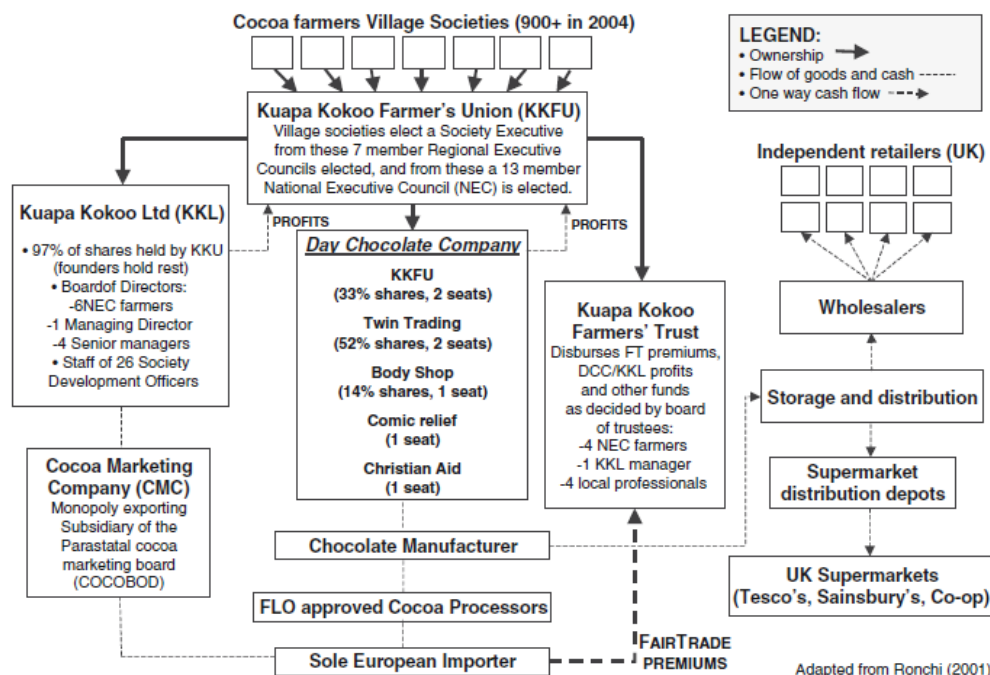
This situation was carefully analyzed by a group of farmers who decided to create an organization that covered a big number of farmers and had bigger power at the time of negotiating prices with chocolates companies. In this context the Kuapa Kokoo Farmers Union (KKFU) was created in 1994 (Doherty & Tranchell, 2005, p.170) and had the initial support of the British NGO Twin Trading. Twin Trading supported economically the first steps of the farmers union, operational and professional advice (Doherty & Tranchell, 2005, p.170). Soon KKFU was able to enter in the fair-trade market and receive premiums as a result of sales of certified cocoa. The premiums were invested in farmers' communities by implementing health, education or access to water projects. (Doherty & Tranchell, 2005, p.170).

The association gained importance in the cocoa production in Ghana. At the beginning the organization was formed by 2000 farmers in 1994. By the end of 1997 the organization was buying cocoa from approximately 45000 farmers in 1124 communities in the country. This volume represented 10% of the entire cocoa production in the country. The rate of development was analyzed in the annual meeting by the end of that year, and farmers decided to go one step forward in the production of cocoa, by creating a factory in charge of

processing the cocoa and turn it into chocolate bars to be sold in the western markets (Doherty & Tranchell, 2005, p.170).

The new company was partly owned by KKFU. Nevertheless other international institutions such as Twin Trading, Christian Aid, The Body Shop and Comic relief joined this new endeavor in order to provide specific support in the tasks that implied processing cocoa beans into chocolate bars and after make it available in the market (Divine Chocolate, 2007). This idea that was born in 1997 become true in autumn 1998, when people in the United Kingdom were able to buy fair-trade chocolate bars, the first of its kind, under the brand Divine Chocolate (Divine Chocolate, 2007). The organizational structure of the company is explained below:

Graphic 3: Divine Chocolate Value Chain



Source: Doherty & Tranchell, 2008

This company has a private status and is limited by shares. There are three shareholders: Twin Trading with 52%, KKFU 33% and the Body Shop 14%. However the NGO Christian Aid owns preferred shares and the Comic Relief Charity supports the company in some programs (Doherty & Tranchell, 2005, p.170). Day Chocolate Company entered the UK market in 1998 and their international shareholders helped to gain recognition among consumers. The objectives behind this project were:

- *“take a quality and affordable range of Fairtrade chocolate into the UK mainstream market and pay a Fairtrade price for all the cocoa used in the chocolate sold*
- *Raise awareness of fair-trade issues among UK retailers and consumers of all age groups.*
- *Be highly visible and vocal in the chocolate sector and thereby act as a catalyst for change*
- *Be the leading Fairtrade chocolate company”(Divine Chocolate, 2007)*

The competitive market in the UK was a challenge for the new company and the distribution channels was among the greatest to face. However the Body Shop provided assistance and soon Divine chocolates were available in the retailer shops of the company (Doherty & Tranchell, 2005, p.174).

Other challenge to face was the communication and advertisement. Christian Aid provided assistance by using its active network of consumers. On the other hand, Comic Relief used its experience in marketing and his brand in the British market (Doherty & Tranchell, 2005, p.174). The first marketing campaign was focused on raising awareness about the product and its fair-trade roots. Doherty and Tranchell claim that this actions allowed Day Chocolate Company to build an effective communication network. The ability to communicate the story of the company and its origins showed its first results when in 2004, Day Chocolate Company was the first fair-trade company to receive high television coverage and reach with its message to youth audiences (Doherty & Tranchell, 2005, p.171).

In 2006 one of the owners of the company decided to donate the entire percentage of its shares to the farmer's organization KKFU. The first of January 2007 the Day Chocolate Company changed its name to Divine Chocolate Ltd, and the shares of the Body Shop were transferred to KKFU (Divine Chocolate, 2007).

CHAPTER V: EL CEIBO COOPERATIVE, BOLIVIA

Alto Beni is a region located in the North-East of Bolivia. The high humidity of the region located in the border of the Amazonian region allows locals to produce tropical fruits, coffee and cocoa. Although the region and the weather conditions are suitable for agriculture duties, the access to this region is extremely difficult. The weather conditions affect the entire seasons alongside the year: there is rain all year long, and the intensity increases in summer making the roads muddy and useless. Most of the roads are based on the first paths designed by the first settlers who arrived to the region. The first settlers arrived to Alto Beni from the highlands. They abandoned their homes due to the crisis of metals in 1960. The government decided to provide the former miners a piece of land where they could perform agriculture duties and improve their life conditions.

5.1 Early beginning

In 1970 farmers joined a cooperative ran by the state that went bankrupt few years later. Since the state cooperative was the one in charge of buying the entire production of cocoa beans from farmers, they were left without assistance or help, and as a result, forced to sell the production to intermediaries at low prices. They counted on the government to receive a reasonable price, but since they did not have proper training about how to trade and deal in the market, farmers got often minimum prices for their production (Trans Fair USA, 2010). Slowly groups of farmers tried to associate in order to obtain higher prices in the market.

In 1977 the crescent concern about how the production was sold to low prices and the costs involving farming and transport of cocoa beans were not covered by the prices in the market reached a critical point. Lower incomes from sales encouraged farmers to join forces and create a cooperative strong enough to deal with cocoa buyers in the Bolivian market. This new cooperative adopted a name that was a synonym of immortality: El Ceibo. Ceibo is a type of tree which grows in regions where the cocoa tree is found and provides shadow to it. In the region it is believed that this tree never dies: even if the tree is cut, new branches grow again. For the cooperative this tree is a symbol of strength and unity (El Ceibo, 2010).

One of the first key decisions they carried out was to buy trucks to transport as much production as possible. The cooperative pointed out how important was to reduce the costs incurred at paying a high price to the intermediaries, who claimed that the risks they had to take by carrying the production through the dangerous roads were too high. With their own transport the cooperative could reduce costs but not increase their incomes.

The reason behind the high prices of transport imposed by the intermediaries is due to the only way of communication between Alto Beni and La Paz. Until 2004, the region had only one narrow mountain road to reach big markets. This road is rated among the most dangerous all over the world and was built by Paraguayan war prisoners in 1935, using explosives. Carved in a rock mountain, the road was not only dangerous, but it was blocked continuously by social and political reasons. A new road was finished early 2004, which implied a safer and direct way to reach Alto Beni. Soon El Ceibo realized that it was not enough to get own transport and take it to the market in La Paz, where the production was waiting to be purchased. The cooperative decided to go one step forward: process the beans by drying it.

5.2 The international market

The techniques used by the members of the cooperative entail organic procedures. According to El Ceibo, 90% of the harvested beans are dried by the farmers in Alto Beni and 10% in the facilities of the cooperative in La Paz (El Ceibo, 2010). This fact granted the cooperative international recognition. El Ceibo received a certification in 1988. It was the first cooperative all over the world producing cocoa according to environmental friendly techniques. This is partly due to the procedures oriented to the preservation of the Andean rainforest (Trans Fair USA, 2010). Other reason behind this ecological practice is that farmers could not afford to purchase machines that could do the same process. The production and the drying process were not the only task performed under environmental friendly techniques; farmers collect special plants found in the region, burn them and use the smoke to control insects and plagues that might attack the cocoa tree (El Ceibo, 2010).

The techniques used by the cooperative were highly praised abroad, where the organic production was promoted. Soon the cooperative was able to reach another goal: enter to the Fair Trade market. This certification granted farmers to receive a higher price besides the normal price set by the market. The premium involved investments in social development of the communities where the cooperative is established.

First years of the fair-trade scheme proved to be worth for the cooperative. The first year in the fair-trade market El Ceibo sold 55 tons of cocoa beans in the international market. This impressive start proved to the cooperative that they were on the right track. El Ceibo was again recognized internationally because they decided to run a chocolate processing company. This effort implied that it was the first time that a small cooperative of farmers decided to run most of the cocoa process until finished chocolate all over the world (Global Exchange, 2009).

5.3 Community projects

Once the cooperative achieved a steady performance, they implemented programs regarding the improvement of families and farmers who live in the area. Part of this challenges come from the agreements with international development agencies and the fair-trade system, which specifies an exclusive use of the premium over the prices in development initiatives. The challenges regarding community development are:

- Ensure the access to education to the children of all members of the cooperative
- Provide access to health care and labor insurance for families and farmers in the cooperative
- Ensure access to food to all members in order to decrease the dependence of farmers of incomes related to cocoa bean production.
- A continue improvement of the facilities where cocoa beans are refined and the transport of beans to the market
- Support and promote the use of organic procedure regarding cocoa bean production (Trans Fair USA, 2010)

Additionally the cooperative created a foundation, whose main purpose is to provide technical support to cooperative members and other farmers interested in producing quality cocoa beans. PIAF – El Ceibo Foundation encourages farmers to pass their knowledge to other people who might be interested in learning about cocoa bean production. This foundation is in charge of maintaining the standards achieved by El Ceibo without being away from environmental friendly techniques; this action might include financing new farmers that enter to the cooperative and need extra capital to start working as a member.

The social programs implemented are controlled by the foundation: health care, education, food safety and retirement payments (El Ceibo, 2010). El Ceibo cooperative created the foundation in order to take care of members; however the services provided by the foundation are not exclusive to members. In an isolated place where access to health care and education are so difficult, other farmers and their families have access to such services.

According to El Ceibo cooperative, the drivers behind its success are:

- *“ Self governance in all areas of its activities*
- *Democratic participation of all associates*
- *Sharing technical knowledge among cocoa farmers*
- *Environmentally sustainable production*
- *Fair distribution of dividends*
- *Integration of small similar organizations*
- *Respect for life, culture and the environment”* (El Ceibo, 2010)

The cooperative evolved from a dozen of farmers in 1977 to nearly 1200 (El Ceibo, 2010). This evolution is partly due to the assistance provided by international agencies interested in the organic oriented production carried out in the region. One of the first agencies supporting the cooperative was the Inter American Foundation, who supported economically the activities of the cooperative from the beginning in 1977 (Martinez, 2008). Once the cooperative gained international recognition in 1988, German volunteers arrived to Bolivia in order to provide technical assistance to farmers.

Volunteers brought new ideas and alongside with them NGO's willing to sponsor and fund the cooperative. As a result El Ceibo entered to a broader network of development agencies related to sustainable development and fair-trade products (Bebbington, 1997, p. 194). This assistance and training alongside with international grants allowed the cooperative to grow. The Inter American Foundation has provided economical support in the first and more important steps of El Ceibo which involved the transport and trade of cocoa beans and the implementation of cocoa processing lines in La Paz (Martinez, 2008).

According to Bebbington, El Ceibo became known worldwide because of the entirely organic techniques to produce cocoa beans, and the willingness of farmers to improve their lives. But how they decided to join forces was a key factor behind success. The cooperative provided the conditions to implement programs of development and improvement of technology. Development programs would have failed if they were executed in a community. The cooperative became a useful way to train members about marketing management and international relations. Bolivian and international NGO's achieved to train members through the coordination of the directives and assembly of members (Bebbington, 1997, p. 193).

Members of the cooperative feel proud of their efforts. The founders of the cooperative got old and analyze the development from the time they arrived to Alto Beni looking for a better life. According to the members of the cooperative, El Ceibo is “...*entirely owned by, made up of and run for the benefits of its members...*” (El Ceibo, 2010).

5.4 Challenges

During years, Bolivia was the leader in organic cocoa bean production. However, this production was introduced due to the needs of the market, farmers in Alto Beni, did not have economical resources to invest in a high developed cocoa bean production. Technology as not been a well-developed field explored in the production of coco beans. This fact was proved in 2005 when the International Cocoa Organization stated that Bolivia was the leader in organic coca production in Latin America (ICCO, 2006). At that time, Bolivia, represented by El Ceibo cooperative achieved to export 500 tons of organic cocoa. In Latin America there are other countries that produce bigger volumes of organic cocoa and have a bigger role in the market.

El Ceibo has not met his top of production due to the crescent interest of private investments in Alto Beni. The cooperative has struggled to produce to its full capacity because other organizations began to produce cocoa bean. Other organizations have not the support or the quality standards that are run by El Ceibo farmers, undermining a possible bigger production and volume of sales in the international and Bolivian market. Farmers involved in other cooperatives are not recognized to produce organic cocoa, and the quality obtained varies considerably. This is partly explained by the interest of the investors; some NGO's focus only on the pure welfare of farmers without paying attention to quality production; and the interest

of private investors to collect as much cocoa as possible and process it in chocolate factories in other cities in Bolivia.

The focus of this research is the managerial assistance provided to farmers in the cooperative “El Ceibo”. This particular area is from a very important interest since farmers lack of technical knowledge about management and the first decisions carried out in the cooperative where based on common sense. The cooperative did not only train farmers in agricultural techniques but also provided relevant skills about logistics, market management and international relations.

El Ceibo cooperative has been facing different challenges from the beginning. Some of them were solved with their experience and knowledge about cocoa production. However once the cooperative entered in more competitive markets, the challenges were higher and as a result expertise came to provide training and transfer knowledge. These challenges were classified according three different fields.

5.4.1 Strategic partnerships

The development of the cooperative was partly due to the partners the cooperative teamed up with. International agencies and volunteers are engaged in daily activities of the cooperative. Expertise follow the process of cocoa bean production, according to certain standards and study the possibilities to improve the production and the quality of the dry cocoa beans by providing new and more efficient techniques that are environmental friendly. Expertise in the chocolate industry helped to build an effective value chain to produce high quality chocolate, and development agencies and international microfinance organizations provided different types of grants to the cooperative as a start-up capital and back up to run different development projects.

In the case of the cooperative partners helped the cooperative to become known worldwide. Strategic alliances and contacts were made in order to evolve from a group of cocoa bean farmers in alto Beni to a strong cooperative; widen their activities from cocoa bean production to refinement and chocolate production; build a chocolate factory in el Alto; being able to export and trade with overseas chocolate companies; obtain a fair-trade certification due to the organic production of cocoa beans; and establish a brand name in the cocoa market.

5.4.2 Marketing management

How to reach the market with a product is not only with a good quality product. El Ceibo cooperative claims to have a good quality product but requires a proper marketing management plan in order to sell the chocolate produced in the factory and the cocoa beans farmed in the region of Alto Beni.

Professionals provide assistance to the cooperative in order to design the most suitable presentation of the product, which implies an appealing package and the refined chocolate. But the task does not end in a product design. Marketing experts and the cooperative need to plan an effective way to reach the target market where the cooperative wants to enter. The plan entails the most efficient communication channels to show the story and background of the cooperative, the achievements but most important the quality and the features of the products: the cocoa beans and the chocolates.

The advertisement about El Ceibo cooperative was barely seen in an open market, however most of the information and advertisement observed were found in development agencies and integrated fair trade chains, where products from the cooperative are offered and information regarding the quality and story of the cooperative are provided.

5.4.3 Entrepreneurship

How the cooperative evolved to a chocolate factory is an example of entrepreneurship. People were encouraged to enhance the quality of the cocoa beans, but once that objective was achieved, international agencies promoted the creation of a small chocolate factory. This expansion downstream shows that development agencies and finance institutions wanted the cooperative to become less dependent from the help and assistance.

The commitment demonstrated by the cooperative at the time of organizing themselves in a cooperative which pursues the same objectives, shows that farmers identify themselves with the objectives that pursues the cooperative. This commitment and level of organization was seen when the cocoa bean quality was improved. But once the quality level was reached, the cooperative showed a need of higher achievements, farmers needed to obtain better results, since the life quality in the communities needed urgent attention in terms of health, basic services and education for children. That is how it is explained that the cooperative decided to

pursue higher objectives, turning the cooperative from a cocoa bean production and export, to sale refined chocolate.

The environment where the cooperative developed its activities provided a huge help, since the cooperative benefited from the network of contacts from finance institutions, international agencies, volunteers and expertise. The small number of contacts grew enough to open new markets and opportunities to sell the cocoa beans out of the Bolivian market. Soon international fair-trade organization realized the potential and quality of the products, which resulted in a support and promotion of the efforts and improvements achieved by a group of farmers who turned cocoa production in a sustainable way of living.

Another environmental advantage from El Ceibo is the quality of the product. It is a fact that farmers do not have a modern technique to produce cocoa beans, but they carry out these activities without chemical substances. At an early stage, farmers found ways to prevent pest and diseases in the plants by using natural pesticides, partly because they did not have enough resources to buy chemical pesticides. International markets praise organic production and this situation has encouraged the cooperative to keep those natural techniques in order to offer a natural and high quality product to the market.

CHAPTER VI: THEORY

Since the first initiative of American Christian church to sell handicrafts made by refugees, and what today people know about fair-trade, the movement and the main driver has changed. Agencies promote trade, not aid, which implies that agencies are willing to pursue a more professional and technical assistance to the associations in the South. The new approach towards fair-trade is a focus in the market. The farmer at the first stage of fair-trade received assistance and technical support to improve farming or manufacturing activities. The next stage involved a higher commitment of farmers which implies enhancing the quality of the products without forgetting to follow certain procedures. By doing so, their products could be certified and receive a fair-trade label. This label grants them the opportunity to get better prices from buyers and a premium which should be invested in a project in health, education or access to basic services for the community.

Disregarding the results achieved by cooperation agencies and NGO's, their tasks are not finished. The next step is to get involved in market duties, and this task can present an ethical dilemma for the agency, because the belief and the nature of the NGO or cooperation agency are social instead of economical (Damlamian, 2006, p. 6). Although the market behavior of private companies is highly criticized, fair-trade agencies have to become an actor in the same market. Fair-trade organization become economic agents in the market once the project and farmers have received the fair-trade certification (Damlamian, 2006, p. 24).

Despite of the strengths and skills acquired by the cooperatives, without external help, bargaining power of the buyers will still be strong. In some countries there are higher priorities, and government officials are not involved at providing help in this field. In other cases public officials are in charge of such duties but there is a high risk of them to try to take advantage of their position by becoming an intermediary and buying the production to farmers at one price, and reselling it in the international market at a higher price (Wempe, 2005, p. 216). Due to their impartial behavior and involvement on this matter, governments rely on the work of international agencies in this matter, and focus their attention to other priorities.

In this context NGO's play a key role promoting with fair-trade sustainable development for the citizens. Fair-trade agencies become an economic actor in the market when they have to represent producers and associations of farmers; deal with wholesalers and private companies the prices of fair-trade goods and agreements. This new role in the market turns fair-trade agencies into a new actor in the international development. This new role in the market means a strong coordination and a more coordinated work meaning that the relationship with the cooperative or farmers who receive technical assistance become partners of the agency in the project (Damlamian, 2006, p.45).

But this is not the only partnership fair-trade agencies are engaged in. Companies are likely to team up when they sign an agreement involving fair-trade products. Opposite sides meet their interest in the market under a fair-trade scenario (Damlamian, 2006, p. 45). The reason why companies enter to a fair-trade agreement with a development agency, is partly explained by the Corporate Social Responsibility programs that companies today have: *"so in the public eye, NGO's are more trustworthy than corporations in terms of benefiting society. A company that partners with an NGO can hope to be seen as trustworthy and be more credible in its attempts at CSR through this association..."* (Damlamian, 2006, p. 46). Before joining a corporation or a company, the evaluation of the partner is an important issue before signing any agreement.

The theory regarding fair-trade has evolved. Successful experiences were analyzed from different perspectives. Relevant theories to answer the questions in the introduction are: entrepreneurship, marketing management, and strategic partnership. These theories were used in previous studies and proved to be suitable for the purposes of the research. Alongside theories, examples of its application will be included.

6.1 Entrepreneurship

Define entrepreneurship is a very complicated task; important economists have studied and tried to define this word and the implications of the activity that implies entrepreneurship. According to Parrish, the word was first used in France in the middle age and it was referred to people in charge of getting things done (Parris, 2008, p.6). Cantillon made an important contribution by adding concepts such as leadership; he considered that entrepreneurship was a fourth factor of production alongside with labor, capital and land (Parris, 2008, p.7).

The OECD highlights that in 1934, Schumpeter provided a more complete definition about entrepreneurship implying that entrepreneurs were “...*innovators who implement entrepreneurial change within markets...*”(Seymour and Ahmad, 2008, p. 2) The change entrepreneurs applied to the market was driven by 5 factors: 1) introduction of a new product; 2) introduction of a new production technique; 3) Open a new market; 4) the process of a new supply product; and 5) re-engineering and redesign of managerial processes in a company (Seymour and Ahmad, 2008, p. 2).

OECD has done a contribution to what is defined as entrepreneurship. In 2001 the publication Drivers of Growth contained a definition of entrepreneurship provided by this organization: “...*the concept of entrepreneurship generally refers to enterprising individuals who display the readiness to take risks with new or innovative ideas to generate new products or services...*” (Seymour and Ahmad, 2008, p.2). Venkataraman defines entrepreneurship as “*the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited...*” (Shane & Venkataraman, 2000, p. 218).

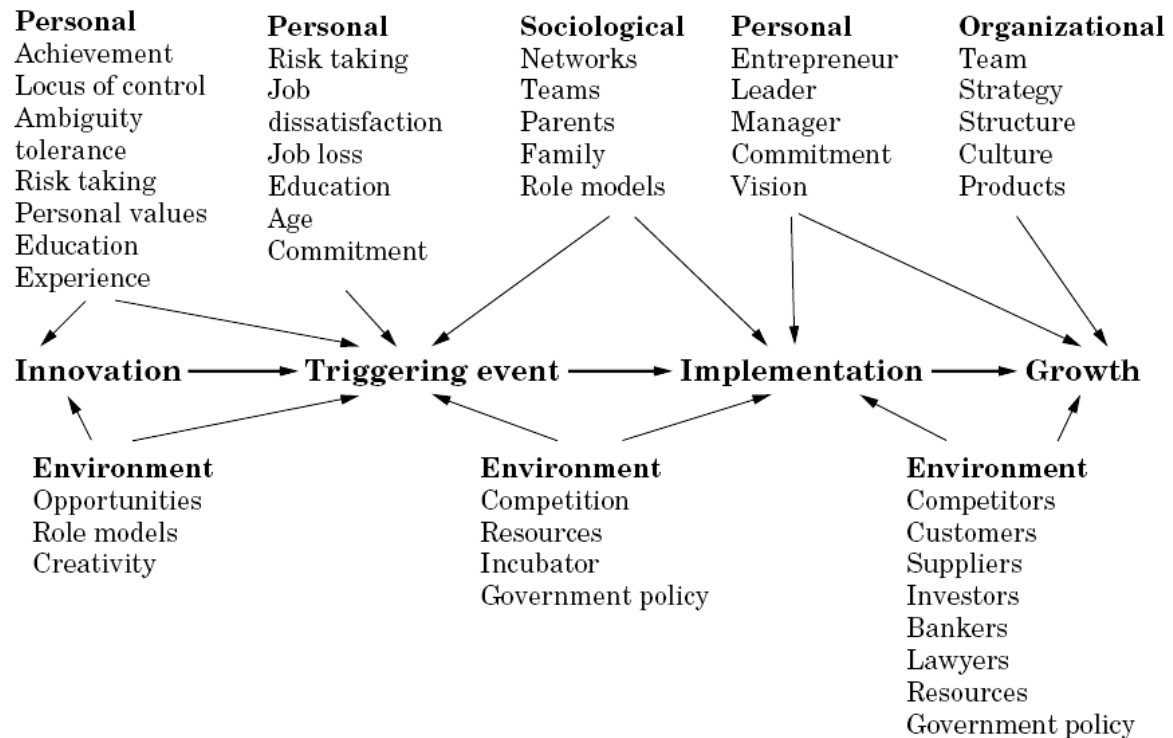
Bygrave provides in his article about the entrepreneurial process formulates another definition focus on the evolution, success or failure of entrepreneurial investments in the last years. An entrepreneur is considered a person “...*who perceives an opportunity and creates an organization to pursue it...*” (Bygrave, 2003, p. 2). Alongside with this definition Bygrave defines the entrepreneurial process as “...*all functions, activities and actions associated with perceiving opportunities and creating organizations to pursue them...*”(Bygrave, 2003, p. 2).

Shane and Venkataraman try to explain how important is to explore and analyze the entrepreneurial area. This objective has three main reasons:

- Part of the information regarding the technology is inserted in the product
- Entrepreneurship is an activity that identifies weaknesses in the market and satisfies these needs with products
- Entrepreneurship is a field of study that completes the understanding of the business activity. (Shane et l, 2000, p. 219)

In addition, Bygrave provides a framework about the forces and factors that imply entrepreneurial process.

Graphic 4: The Entrepreneurial process



Source: Based on Carol Moore's model, presented in "Understanding Entrepreneurial Behavior," in J. A. Pearce II and R. B. Robinson, Jr., eds., *Academy of Management Best Papers Proceedings*, Forty-sixth Annual Meeting of the Academy of Management, Chicago, 1986.

Source: Bygrave, 2003

Bygrave describes the most important attributes that can affect the process of entrepreneurship. For the purpose of this master thesis, some of the concepts of the model will be highlighted.

6.1.1 Personal attributes

The personal attributes that an entrepreneur should have are related to the level of risk that they take by investing in a market. This risk is supported by the determination of the person who owns the idea and the vision to make the idea come true. Entrepreneurial behavior is linked to the dedication that a new enterprise requires. Typically the first years of the enterprise will require a high level of control until the company can finally take off, and the investor will work full time in order to achieve the objectives set in the business plan (Bygrave, 2003, p.3).

6.1.2 Organizational attributes

The capacity that an organization or a team of professionals have will make a difference at the time of implementing a business plan and enter in a market with a new idea. The skills and knowledge that each of the professionals will provide in order to achieve the objectives is important at the time of competing in the market with other enterprises. Another attribute that the company has is the product that is offered in the market. An attribute of entrepreneur behavior is the ability to make changes in the market faster than big companies. Companies with a big structure struggle to make changes in the design or attributes of a product, something that does not happen in a small enterprise. The flat structure and the few levels of decision make adaptations and changes easily and as a result an improved product (Bygrave, 2003, p.4).

6.1.3 Environmental attributes

The environmental attributes are referred to the opportunities to invest in a market. The opportunities involve how the industry reacts whenever a new competitor enters in the market and their reaction to it. The competitiveness in the market might provide an idea about the potential that implies being entrepreneur. Another fact to take into account is the ability to count on investors and resources required to put an idea into practice. The laws and regulations established by the government regarding entrepreneurial endeavors play a big role. Some governments promote the creation of new enterprises as well as the regulations created involving closing a business and labor protection. (Bygrave, 2003, p.5).

6.1.4 Sociological attributes

Networks play a big role that can allow the newborn enterprises to contact important actors and enhance their contacts in the market. At the very beginning the network of an entrepreneurial investor are friends and personal contacts. Later these contacts will turn into a network of contacts for the enterprise. The company will slowly grow through this network that will bring expansion and partnership opportunities (Bygrave, 2003, p.6).

However in order to achieve and apply entrepreneurship certain conditions must be found in the environment, allowing an entrepreneur to risk capital and invest in a product or a new potential market. Venkataraman identifies such steps as: the existence, discovery and exploitation of entrepreneurial opportunities (Shane & Venkataraman, 2000, p. 221).

- **The existence of entrepreneurial opportunities.** Opportunities involve situations where there is the possibility of introducing a new product, a service or organizational methods that can improve the productivity of a company and at the same time, reduce costs (Shane & Venkataraman, 2000, p. 221).
- **Discovery of entrepreneurial opportunities.** This discovery implies the possibility to make profits out an investment that is verified to exist and that has value to the entrepreneur. How do people get to know there is a chance to make profits out of an investment depends on the information that they have access to. Finally, it is important the knowledge and skills of people in order to value and analyze the potential of an opportunity (Shane & Venkataraman, 2000, p. 222).
- **Decision to exploit entrepreneurial opportunities.** This decision depends on the nature of this possible entrepreneurship and the future earnings and profits to be obtained. The decision to proceed to invest differs among people and the individual differences among entrepreneurs will decide if the opportunity is promising or not (Shane & Venkataraman, 2000, p. 223).

To some extend it is believed that risks taken under an entrepreneur behavior are reduced when ethical values are taken into account. As a result the influence of ethics over entrepreneurship is measured in terms of the orientation t of the investment and the impact on the stakeholders (Shane & Venkataraman, 2000, p. 224). Nevertheless ethic values have been evolving according to the circumstances, to the point of clashing against each other. The conditions of the economic environment have changed and entrepreneurship has evolved making use of values that belong to ethics. That is how Johan Wempe provides another approach which involves entrepreneurs investing and exploiting opportunities in the market, taking into account ethical based thinking. Ethical entrepreneurship is defined as: “...*an entrepreneur exploiting conflicting values to create new ones that yield greater value to the community*” (Wempe, 2005, p. 216).

How this concept emerges in the market is because to the crescent conflicts between performing duties ethically and being entrepreneur at the same time. Ethical behavior and values affect the environment where companies perform activities and as a result, stakeholders have a bigger influence over the activities of companies, including entrepreneurship. In this matter Wempe claims that managers should not feel threatened by pursuing ethics at the same time of entrepreneurship, because they represent opportunities to perform economical activities that benefit the society and deal with social issue and at the same time as the company pursues economic benefits (Wempe, 2005, p. 217).

6.1.5 Types of Entrepreneurship

When the first concept and idea of entrepreneurship was developed by scholars in the middle age the economic situation and the challenges were completely different to the challenges that modern entrepreneurs face. The pursuit for a higher industrialization has been replaced for a investment in special industries according to rules and regulations which change according to the type of industry. Entrepreneurial investments in the technological industry have different regulations than an investment in a sustainable development industry. The stakeholder's point of view is perceived different in both cases and as a result the entrepreneurial behavior changes. As a result of changes and new requirements of industries and economies Wagner formulates this division of entrepreneurial fields:

Table 1 Types of Entrepreneurship

	Eco entrepreneurship	Social entrepreneurship	Institutional entrepreneurship	Sustainable entrepreneurship
Core motivation	Solve environmental problem and create economic value	Solve social problems and create value for the society	Change regulatory, societal and market institutions	Solve social and environmental problems through a successful business
Main goal	Earn money by solving environmental problems	Achieve a social goal and secure the fund to achieve it	Change institutions as a direct goal	Create sustainable development through entrepreneurial corporate activities
Role of economic goals	Ends	Means	Means or ends	Means and ends

	Eco entrepreneurship	Social entrepreneurship	Institutional entrepreneurship	Sustainable entrepreneurship
Role of non-economic goals	Environmental issues as integrated core element	The society as a goal and end	Core element: change institutions	Core element of integrated end to contribute to sustainable development
Organizational Development challenge	From a focus on environmental issues to an integration of economic issues	From a focus on social issues to an integration of economic issues	From an institutional change to a sustainable integration	From a large contribution to a large contribution to sustainable development

Source: Wagner, 2010

6.1.6 Sustainability and Entrepreneurship

The crescent concern about the effects of the demand of products over the environment has raised the attention of consumers. Companies have replied to this concern by supporting projects of environmental friendly procedures. This new scenario opens new opportunities to investors and entrepreneurs who see a possibility to enter a market with an environmental friendly product, and that supports and promotes sustainable development. This type of investment is called sustainable entrepreneurship. Parrish (2008) defines the phenomenon as the investment that supports sustainable development. Entrepreneurs, who decide to invest in a sustainable activity, benefit from the crescent interest and demand of products, encouraged by the market and promoted by international organizations and governments (Parrish, 2008, p. 23). By doing so, entrepreneurs seek to diversify the investments in conventional business and markets entering to a scenario whose demand and consumers grow every year.

According to Schaltegger entrepreneurship and sustainability are linked in this type of entrepreneur. The main components of sustainable entrepreneurship are related to the pursuit of success in any given market segment through the implementation of environmental and societal innovations instead of a focus on pure managerial and technical skills, which are the main objective of a personal initiative driven by the classical entrepreneurial behavior (Wüstenhagen, 2008, p.31).

Entrepreneurship is performed by individuals who seek profit through investing in a market and the objective is the individual pursuit of benefits. In the case of sustainable

entrepreneurship, even if the objective is still the pursuit of benefits, the main driver is a social and environmental issue, which is the reason why individuals decide to invest in areas related to sustainable development (Wüstenhagen, 2008, p.31). As a result of the previous description of the components and main characteristics of sustainable entrepreneurship, Schaltegger proposes the following concept:

“...sustainable entrepreneurship can be described as an innovative, market orientated and personality-driven form of value creation by environmentally or socially beneficial innovations and products exceeding the start-up phase of a company...” (Wüstenhagen, 2008, p.32)

6.1.7 Environmental entrepreneurship

According to Schaper the types of entrepreneurships are three: the classic type where people decide to start their own business and invest in new markets; intra entrepreneurs who decide to pursue activities inside of large enterprises; and social entrepreneurs, who decided to start working in the area of non – profit organizations (Parrish, 2008, p. 26). However another type emerges from the crescent demand of environmental quality, and it is called environmental entrepreneurship, eco – entrepreneurship or ecopreneurship (Parrish, 2008, p. 26). Environmental entrepreneurship entails investors who engage in green business: *“...is designed to be green in its processes and products from scratch, as a start-up, and furthermore, is intended to transform socially in the industrial sector in which it is located towards a model of sustainable development...”* (Parrish, 2008, p. 26)

6.2 Marketing management

The American Marketing Association defines marketing management as: *“the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals...the conscious effort to achieve desired exchange outcomes with target markets”* (Kotler, 2000, p.4). However from a fair trade perspective, the challenge is how fair-trade agencies and the stakeholders involved in a fair trade activity can use and apply the concept of marketing management. Obviously the focus will not be a benefit oriented message, but socially oriented, as the Fair-trade Foundation claims, when they want to create social concern.

This assumption is based on the fact that fair trade organizations are entering to the open market where consumers deal with prices and benefits, do not base their purchases on philanthropy, but to satisfy needs. As any other lucrative company in the market that is willing to reach customers and increase sales in the market, NGO's and development agencies use marketing techniques to promote fair-trade products as any other company in the market. The difference behind this special type of marketing campaign is to raise awareness about a social issue in the market, and at the same time offer a good quality product. Important concepts regarding marketing management and at the same time useful for the research follow below:

- **Marketing.** According to Phillip Kotler in the book *Marketing Management*, marketing is defined as “...a societal processes by which individuals and groups obtain what they need and through creating, offering and exchanging products and services of value freely with others...”(Kotler, 2000, p.10)
- **Target markets and segmentation.** Expertise in marketing, divide the marketing segments through an identification of consumer profiles. The market can be classified in many ways such as: demography, incomes, living styles, gender, etc. “...for each chosen market the firm develops a market offering. The offering is positioned in the minds of the target buyers as delivering some central benefits...”(Kotler, 2000, p.5)
- **Needs, wants and demands.** Needs are portrayed as the basic requirements of human beings related to food, air, water, clothing and shelter. Wants are the needs transformed into specific products and whose objective is to satisfy the need. Demands are “...wants for specific products backed by an ability to pay...” the economic possibility to pay for the product turns a simple want into a demand (Kotler, 2000, p.6).
- **Exchange and transactions.** Kotler defines exchange as “...obtaining a desired product from someone by offering something in return...” (Kotler, 2000, p.6) but in order for this to be accomplished, five conditions have to be achieved: 1) Two or more actors present at the moment of the exchange; 2) all actors have something to offer that is required or needed by the other party; 3) the availability to communicate and deliver the product offered; 4) freedom of any of the actors to refuse or accept the

exchange and; 5) the willingness to trade and exchange with other actors that fulfill the requirements and needs of the of the actor.

- **Relationships and networks.** An important concept behind relationships and networks is relationship marketing. This tool is used when companies want to build long term relationships with key actors and partners alongside the supply chain, suppliers, producers, distributors and customers. By the premise of offering a high quality product on time with a fair price, companies pursue to build strong networks based on technical, economic and social basis (Kotler, 2000, p.7).

On the other hand Marketing network is composed by the companies and the stakeholders. The company will pursue to engage in mutual profitable relationships with the stakeholders, in the sense that even if the relationship is not economically based, the company and the stakeholder have solid bounds and the stakeholder's point of view will be taken into account and heard by the company (Kotler, 2000, p.7).

6.2.1 Fair trade Marketing

Fair trade has repositioned the point of view in the market. at the beginning fair-trade products were focused on the features of the product instead of the market. According to Low, the focus involved marketing about what producers in the South offered in the market. The new objective now is to focus on the preferences of consumers in the North (Low & Davenport, 2008, p. 5). However non-profit organizations have entered into the general marketing mainstream and adopted the general principles regarding marketing. As a result is more common to include in fair-trade marketing campaigns concepts regarding market segmentation and target markets (Low & Davenport, 2008, p. 5).

Low & Davenport provide three stages that fair-trade marketing has to accomplished:

- Goodwill selling – focus on a demographic sector of the market who is committed to fair-trade and as a result sales are driven by charity or solidarity.
- Commercialization – merchandise fair-trade products with a certification in the open market and alternative sectors of markets.
- Implementation of marketing strategies in order to increase the market size (Low & Davenport, 2008, p. 5).

In order to achieve such stages, fair-trade organizations should achieve gradual approaches in order to change the orientation and marketing strategies. Low & Davenport suggest a set of stages that fair-trade organizations should reach to become market oriented:

- | | |
|-----------------------------|-------------------------------------|
| a) Charity trade; | d) Solidarity trade; |
| b) Development trade; | e) Environmental trade; |
| c) Equal development trade; | f) Fair-trade labeling and branding |

(Low & Davenport, 2008, p. 5)

6.2.2 Brand Positioning

According to Wynne, one the great advantages of fair-trade marketing is the fact that consumers have access to real information related to a product and its production, whereas conventional marketing campaigns invent situations and images that do not belong to the real facts about the product (Wynne, 2008, p.46).

Another powerful tool to build brand is the package of the fair-trade product. Packaging uses information relative to farmers or producers, their opinions and comments about the product and the expectations from the market. This is considered a very effective communication channel to the market (Wynne, 2008, p.46). The second most used tool is communication with customers through the retailers. They gather the information about a certain product through the website of the fair-trade organization and suppliers. Fair-trade marketing campaigns are controlling the flow of information alongside the entire value chain to keep retailers and end users up to date (Wynne, 2008, p.46).

6.2.3 Fair-trade and marketing management

Witkowski proposes a comparison between two concepts: fair-trade and marketing management. A comparison is proposed taking into account four different features of fair-trade: 1) help to disadvantage producers; 2) promotion of gender equity, transparent relationships, and economic and environmental sustainability; 3) the reform of conventional international trade relationships; 4) the creation of awareness of such issues among consumers (Witkowski, 2005, p.24).

Table 2 Comparison between fair – trade and Marketing Management

Fair trade versus	Ideological Similarities	Ideological Differences
Marketing Management	<ul style="list-style-type: none">- Both philosophies apply managerial principles.- Both emphasize building brands and other elements of the marketing mix.- Both apply social marketing concepts	<ul style="list-style-type: none">- Fair-trade gives priority to producers, not consumers- Fair-trade applies moral criteria to consumer decisions.- Fair trade favors communalism and cooperation over competition- Fair trade is concerned with market failures

Source: Witkowski, 2005

6.3 Strategic Partnership

Strategic partnership is a necessary tool to analyze the convenience of an agreement between future partners, in this case an NGO, a development agency or a fair trade agency. Since agencies are involved in new tasks like need support, look for funds to special projects or sign agreements regarding fair-trade products, they deal and negotiate with corporations who are more involved in Corporate Social Responsibility activities. (Cohen, 2003, p.116)

The process of establishing partnerships between non-profit organizations and companies is explained by Jonathan Cohen. It is said that the effects and results obtained from such a relationship will be perceived in different ways by the stakeholders of each institution. On one hand the duration of each agreement would be required to be permanent and long lasting for a non – profit organization rather than a corporation, who might have a certain amount of resources to invest on a project with a short term orientation (Cohen, 2003, p.118).

Graphic 5: The Long – Arnold Matrix of partnership success factors

		<i>Phases of the partnership life-cycle</i>		
		Initiation	Execution	Closure
<i>Categories of success factors</i>	People	INCLUDE all critical stakeholders	RESPECT players' needs and interests	SHARE success and credit
	Goals	DEFINE a viable and inspirational vision	STEWARD based on process learning and new science	EVALUATE results against goals and alternatives
	Capacity building	INVEST in relationships needed for long-term success	TRANSLATE knowledge into signs of progress	SUSTAIN progress by institutionalising arrangements

Source: Jonathan Cohen

This matrix was developed by Frederick Long and Matthew Arnold and it explains how a partnership can be successful under certain criteria. The matrix takes into account not only the objectives of both partners but also the effect that the partnership itself will have over the stakeholders of the business company and the NGO, or development agency. According to Long and Arnold a factor behind the success of such partnership is trust (Cohen, 2003, p.107). The Long – Arnold Matrix includes a set of phases and requirements to build a successful partnership. The phases are listed below.

6.3.1 Initiation

This phase requires the opinion and participation of all stakeholders which will take part of the partnership. Their main role is to show willingness and commitment to join another company or agency in the agreement. The main competences required for the purposes of the partnership are identified as well as the actors involved in the principal tasks. When partners begin their activities, there will be flexibility at defining and coordinating the activities and the accomplishment of objectives (Cohen, 2003, p.108). According to Long and Arnold the main components of the first stage are:

- Definition of partnership opportunities
- Identification of the actors that taking part of the partnership
- Definition of common solid basis to carry out activities
- Creation of the common agenda (Cohen, 2003, p.108)

6.3.2 Execution

In this phase, plans and objectives are put into practice. In order to maintain a close coordination among both partners effective, communication is an important requirement. By doing so, there will be a better comprehension of the points of views of the people in charge and the organizational culture of the partner. It is likely to happen that on the way some adjustments and adaptation will be performed in order to perform activities more efficiently. And a better way to achieve it will be through an effective communication. In this phase the main features are:

- Establishment and control of ground rules
- Resolution of disagreements and disputes
- Secure enough financing for tasks
- Accomplishment of tasks according to timetable
- Development of individual interests and relationships. (Cohen, 2003, p.108)

6.3.3 Closure / renewal

This stage implies the evaluation of the results and level of accomplishments of objectives. Both partners evaluate how the activities were performed and how successful was the partnership, and they elaborate reports and evaluation documents. The final document goes public and it becomes advertising for both the business company and the NGO. According to the results partners will analyze a renewal or closure of join activities. In a closure/renewal of activities the main features are:

- Generation of written agreements
- Implementation of actions and policies
- Conclusion of partnership activities or renewal of agreements (Cohen, 2003, p.109)

6.4 Long – Arnold categories of success factors

6.4.1 People

The driver behind the success or failure of a partnership is human resources. People taking part of a NGO – business partnerships will put the objectives into practice and will carry out the activities according to the schedule established. People from both partners will join efforts to achieve results. How the skills and knowledge is put into practice will make the partnership work efficiently. Factors behind success related to people are:

- Commitment among people in the partnership
- Commitment to establish required relationships among members, and as a result achieve success
- People taking part of the partnership should have enough power to make decision on their own
- Participants should be considered as specialists in partnerships within their organizations. (Cohen, 2003, p.109)

6.4.2 Goals

According to Long and Arnold “*goals to achieve socially responsible ends are the driving force for partnerships*” (Cohen, 2003, p.110). Nevertheless this task cannot be accomplished without the help and involvement from both partners. Goals are the final result of common planning and bounding of ideas among partners. After setting the goals they will be transformed into strategies and a task schedule. The successful factors of goals are:

- Definition of common viable goals
- Definition of effective and realistic goals
- Establish precise task plans according to common principles
- The strategies which entail particular objectives of the partnership
- In order to evaluate the success of results, plans should involve tasks which are easy to measure and observe. (Cohen, 2003, p.110)

6.4.3 Capacity building.

This category is related to all the efforts generated by partners in order to provide all the human, material and financial resources needed to achieve the goals according to schedule.

Factors behind this category are:

- Effective mobilization of resources
- Consolidation of an equal and solid organizational structure in the partnership
- All skills and knowledge of partner members should be put in order to achieve the goals. (Cohen, 2003, p.110)

6.5 Why companies engage with NGO's

The increasing number of partnerships between business companies and nonprofit organizations is due to Corporate Social Responsibility programs that companies have. The four following factors behind such partnerships are explained by April Linton.

6.5.1 Branding

Companies engage in a partnership because of the benefits they can obtain through social marketing. By doing so companies have the opportunities to communicate the public that they are pursuing the improvement of a sector of the society or how the company is trying to work on a social issue. For instance, in the case of commodities like coffee beans, cocoa beans or sugar cane, companies focus on sustainability. According to Linton, companies enhance their brand when they promote social responsibility.

6.5.2 Vulnerability

Environmental groups have gained popularity and to some extent empowered. Their role to observe has been increased since the public is more concerned about issues regarding environment, sustainable development and the private companies' behavior. The image of private companies has been criticized by activists and agencies, boycotting activities and performance (Damlanian, 2005, p. 30).

6.5.3 Risk reduction

By engaging in a partnership whose main objective is sustainable development, private companies reduce the risk of being attacked by negative publicity. Social responsible practices increase the credibility of the company between possible investors. Naturally the effects of the partnership or the development project will benefit to the target group of the project too. The financial contribution will enhance producers of raw materials upstream, provide them skills to improve production and at the same time the company will ensure a steady supply of good quality products (Damlanian, 2005, p. 30).

6.5.4 Credibility

By relying on a NGO or development agency to carry out the communication, the social responsibility program gains credibility among the public. Since activists are in charge of advertising the efforts and impacts of the program the credibility of the company is increased. It is more credible for the public and media if the company does not inform directly and by relying on activists or NGO's, the risk of a boycott is lowered. According to Argenti, another reason why NGO's have a bigger credibility in the public, is the ability to pursue an objective regarding a social issue, and develop and extremely efficient communication network that promotes the relief or a solution of the issue. The effects are reflected on the media attention they created when publishing about their activities (Damlanian, 2005, p. 31).

6.6 NGO's threats to companies

The tasks performed by NGO's are different and their field of work is different too. Sometimes the messages sent by them can make the public aware of a situation through publications, documental or even protests. But Argenti (2004) highlights five aspects of NGO's behavior against companies in the market.

6.6.1 Developing campaigns against business

This campaigns aim to highlight a social problem caused by the activities performed by a company. Issues related to child labor, environmental pollution, and dangerous working conditions were used by NGO's in many campaigns against multinational companies (Argenti, 2004, p. 95).

6.6.2 Attempting to build market intelligence

NGO's have developed the required skills to understand how markets work. This knowledge is used in campaigns, when NGO's aim at a specific area of the supply chain and criticize companies. This knowledge has helped the public to be aware of slavery in the chocolate industry (Argenti, 2004, p. 95).

6.6.3 Engaging business

Other approach is to join a company in a project whose aim is the relief of a social issue. So companies will get involved in the activities instead of receiving the attacks and critics from NGO's. Since governments have failed to work with social issues, companies have captured the interest of NGO's when it comes to choose a partner in a social project (Argenti, 2004, p. 95).

6.6.4 Strive to make market mechanisms more intelligent

NGO's are pursuing to work not only with one company in the industry but several. This coordinate effort wants to change the orientation of the market, so that the rules of the market become more equal. The achievements obtained by development organizations and NGO's were the certification labels and the international recognition of fair-trade products (Argenti, 2004, p. 96).

6.6.5 Disrupting markets

How NGO's and agencies work together on a specific market issue, can change the rules of the market itself. How development agencies work together to promote a fairer and more equal distribution of resources among cocoa bean producers by creating awareness of the issue among the public, forces companies to create programs designed to work on the issue. The best example is how chocolate companies are involved in slavery and child labor reduction programs in Africa (Argenti, 2004, p. 96).

CHAPTER VII: METHODOLOGY

Due to the difficulties that imply evaluating a fair trade, international institutions have designed a framework regarding the most effective approach to study and evaluate fair-trade projects. One of them is the Organization for Economic Cooperation and Development (OECD) has established some criteria and requirements to evaluate this type of projects:

- **Effectiveness.** The level of achievement of the project according to the objectives.
- **Sustainability.** The probability of a project that the results achieved can be improved or maintained once the technical assistance has finished working. The variables regarding sustainability are: ownership, environmental friendly activities, proper use of technologies and that the project is viable in the economic part.
- **Relevance.** This criterion is related to the point the project deals with social problems and provides benefits to the people involved in social issues, and at the same time perform environmental friendly activities.
- **Efficiency** is related to how were invested the economic resources in comparison with the time elapsed and the quality of the results achieved. To measure efficiency of a fair-trade project cost – benefit and cost – effectiveness will be used.
- **Impact** is measured according to the impact of the activities of a project regarding the environmental effects and how the social issues were solved.

In this chapter the layout of the research design is formulated, as well as the type of data collection used in the master thesis. The methodology shows the steps to carry out the research regarding fair-trade partnerships. The structure of this chapter begins with the objectives of the research and the reasons why the topic was chosen and the research design to achieve the results and obtain reliable information. Once the information has been gathered, limitations and reflections regarding the data collection are presented.

7.1 Thesis objective

The reason behind choosing this topic is to explore fair trade from a different perspective, the managerial assistance that provides a fair-trade partner to a cooperative of cocoa farmers in Bolivia. Although the topic is not new, the contribution to the field is the point of view used in the research. There has been analyzed a lot about the situation of fair-trade cocoa in Africa, Asia and Central America, but little about how Bolivian farmers behave in the cocoa fair trade market. It is important to understand the motives and drivers that made cocoa farmers to choose a fair-trade production under different conditions than in the other cocoa beans producing countries.

7.2 Thesis proposition

The proposition in this master thesis is related to the assistance provided to El Ceibo cooperative. According to the preliminary information gathered, it can be assumed that:

Technical assistance obtained through international partnerships, can improve the management, organizational skills and market network of a cooperative that produces organic and fair-trade cocoa beans in Alto Beni, Bolivia.

Under this proposition it is considered the transfer of knowledge from partners to members of the cooperative, in the field of management. The reason to focus on this particular subject is the fact that farmers without experience in the managerial field but commonsense, started a cooperative that became known worldwide in the cocoa market. The proposition tries to prove to which extent the organizational skills can be improved. It might be possible that there is a limit in the transfer of knowledge due to the educational background of farmers.

The cooperative entails a board and members are called to meetings to propose plans according to the interests of the cooperative as an institution, not taking into account that some people could be affected by putting certain plan into practice. Another important role of the board in the cooperative involves coordination with international partners, and as a result some key decisions are taken at that level.

7.3 Research design

A research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information. According to Zikmund “...*the research design provides a framework or plan for collecting and analyzing the needed information...*” (Zikmund, 2010, p. 66)

In this master thesis deductive approach will be used. With deduction the general theory regarding the topics will be observed and from that starting point the research will deep into a more specific topic like fair trade commodities and from there the analysis will deepen into fair-trade cocoa and partnerships within this product.

7.3.1 Case studies

Fair trade partnership related studies will provide a better comprehension of the research topic. It was important to select studies and analysis related to organic and fair-trade production due to their similarities in terms of techniques and trading procedures that the production of commodities has. One of the star products in the fair-trade market is coffee. Many studies were carried out regarding coffee production, as well as many agencies and fair-trade organizations are working with coffee producers from Central and South America.

Despite of the product type, the value of such studies is the information obtained in terms of the procedures, performance of the partners and the results obtained through the process. In this matter, fair-trade cocoa partnerships studies provided key information for this master thesis: to obtain a better understanding of the phenomenon and compare the results with those achieved by farmers in Alto Beni, even if the conditions under which fair-trade cocoa partnerships were different.

The main topic of the master thesis is how effective is the assistance provided to fair-trade cocoa producers, more specific El Ceibo association in Bolivia. However other experiences in other countries are analyzed, in order to provide a better comprehension about how fair-trade partnerships work. Independent studies and articles published about El Ceibo were selected and compared to the information provided by personnel working in the cooperative.

7.3.2 Data collection

In order to achieve a better understanding of the topic, information was collected through different sources. Primary information was obtained through interviews with people in charge of the management or marketing department of El Ceibo cooperative in Bolivia, and the professionals working or involved in any project run between international organizations and the cooperative. Secondary information was collected through a search in websites, scientific articles and journals. The purpose of using different sources of information is to compare the information obtained in interviews and written publications, and analyze its validity with the information that is obtained through interviews.

7.3.3 Primary Data – Interviews

Interviews were carried out with different verified partners with El Ceibo cooperative: Claro AG in Switzerland, Artisans du Monde and Chloe Chocolat in France and a representative of the German Cooperation. Some of them, like in the case of Chloe Chocolat, have special partnership agreements. Besides interviews with those companies, there will be another interview with the manager or the president of El Ceibo Cooperative in Alto Beni Bolivia.

As a result Ramiro Villca was the first person to be interviewed, he is the commercial manager of El Ceibo cooperative and the interview was carried out the 16th of March in La Paz, Bolivia. The chocolate expertise Chloé Dautre – Roussel, representative of Chloe Chocolat was interviewed the 16th April in Paris, France. The 19th of April, the project manager of Artisans du Monde, David Erhardt was interviewed in Toulouse, France. The last interviews were carried out through Internet and the answers were received the 13th of May from an anonymous person working with the German cooperation. On the 16th of May, the last questionnaire was received, from Fabio Sagliocca who works in Claro Switzerland and supervises the partnership with El Ceibo.

The questions asked were design taking into account the purposes of the research. Every person interviewed was previously informed about the objectives and the nature of the thesis. According to their acceptance and time availability they agreed to be interviewed. A semi structured questionnaire was used containing open questions. In order to get a better approach and taking into account that some details could not be included in the questionnaire, extra questions were asked (Zikmund, 2010, p.452).

7.3.4 Secondary data

Since some people interviewed were reluctant or just avoided to provide information about their activities and the nature of the partnership with El Ceibo, secondary data provided useful back up to the information collected in the interviews. Secondary data was a useful tool to cross information about what was said in the interviews and what has been written about the topic. Sources of the secondary data were collected from fair-trade web pages and from development agencies where they published articles and research about fair-trade partnerships, and projects run with the cooperation from El Ceibo in Bolivia.

The risk to obtain biased information from fair-trade agencies was a concern. Most of the points of view provided positive aspects and successful experiences. Journals and scientific articles from independent authors gave a balance by providing more neutral opinions about what has been done in the area of fair-trade partnerships, experiences from projects involving El Ceibo, identifying flaws and issues alongside with successful results.

Secondary information entailed as well publications regarding partnerships with El Ceibo cooperative. Even if some organizations were not contacted directly their publications and project reports provided useful information. The secondary data gathered implied studies from other countries and similar experiences in the organic and fair-trade cocoa production. In this matter, other partnerships and studies were selected. Three particular projects are relevant to this master thesis: Starbucks Coffee in the United States, Cadbury Chocolates from United Kingdom and Divine Chocolate from Ghana.

7.3.5 Analysis

The analysis of the data collected had three purposes: provide a better comprehension about the characteristics and effects of the partnership between El Ceibo cooperative and how does this partnership works; compare the performance of other experiences in other countries with fair-trade and business/ development agencies partnerships; and verify the validity of the data provided from the interviews and the secondary data obtained through a search in the Internet and in scientific publications. According to Zikmund, validity is *“the accuracy of a measure or the extent to which a score truthfully represents a concept”* (Zikmund, 2010, p. 305).

Validity is a delicate task in that, the master thesis relies on what has been said in the interviews by the partner's representatives and the secondary data obtained. This validity was evaluated taking into account the different information sources: official web pages and press releases from each partner, fair trade agencies and scientific external publications. Alongside with validity, reliability is the next step that follows. Reliability *“represents how consistent a measure is, in that the different attempts at measuring the same thing converge on the same point”* (Zikmund, 2010, p. 306). Reliability will be obtained by comparing if the experiences on other countries reflect the same results: a cooperative that is substantially better off rather than before they started the partnership.

7.3.6 Limitations

There are many other companies that might be working with El Ceibo cooperative, and since there is no reliable source, those other options will be avoided. One agency that worked closely with El Ceibo cooperative was USAID, which is no longer working in Bolivia due to a governmental resolution from Bolivian officials. Unfortunately most of the material published has been spread out to other agencies in Latin-America and the expert teams were relocated to other countries.

Another big issue taken into account is the reluctance of Bolivian people to provide information, especially regarding the management of a company. The common belief among managers and employees of an organization is that what happens in the company is information that can only be talked about among fellow colleagues or close friends. People instead prefer to provide very vague or even false information in order to answer surveys and interviews. This fact was proved when gathering information from the people working at El Ceibo.

Finally, another problem encountered while doing the research was the confidentiality agreement among partners. Such agreements include not exposing details of the activities that are carried out together, implying that such act would bring conflict of interests, brand name damage or even affect the partnership if information becomes public. Such behavior related to confidentiality agreements raises the concern about the information that is kept from the public. This is the case of a German agency, that asked not to be cited and whose employee requested not to be named too, instead they asked to be included as part of the German cooperation and the information source was called “anonymous”.

CHAPTER VIII: ANALYSIS AND RESULTS

This chapter contains the most relevant information collected in order to study the phenomenon and verify the validity of the proposition explained in the research design chapter. The proposition refers to the importance of international partnership in the development of organizations engaged in the production of fair-trade cocoa beans or products sourced from organic cocoa. It was important to determine to which extent a cooperative in Alto Beni Bolivia, was able to develop and compete in the international markets with the technical support and assistance of international sponsors and partners.

El Ceibo is known worldwide due to the success achieved through the production of high quality cocoa beans in a region close to the rainforest. This success is analyzed and the factors of this success are identified through a triangulation of data. The information emerging from publications issued by the cooperative and the counterparts was compared with interviews performed to counterparts and the cooperative.

Different organizations played different roles in the success of the cooperative. Programs aimed to improve the quality of the cocoa, the drying process, or design a more suitable marketing strategy are examples of what has been done. International partnerships were an important component of the success of the cooperative but most of it is due to the hard work of the farmers that little by little tried to improve their living conditions by producing cocoa beans in Alto Beni. Descriptions of the companies or organizations involved with the work of the cooperative are explained below. The tasks and type of influence are divided in three specific areas: entrepreneurship, marketing management and strategic partnership.

8.1 El Ceibo Cooperative

The interview with El Ceibo provided information that set the basis under which the research should be carried out. It was important for the research to obtain a perspective about the institutions or organizations that made an important contribution to the cooperative from the beginning of activities when cocoa farmers decided to create a cooperative in Alto Beni. Regarding the relationship with international organizations built since 1977, the commercial manager from El Ceibo explained that “...*the international partners that contributed more to the cooperative’s success were the German Cooperation and the Inter American Foundation...*”

The perspective of El Ceibo regarding partnerships entails organizations working with the cooperative to achieve objectives such as increase of the production, quality improvement or re-design of marketing strategies. As a result, partnerships are portrayed as organizations that team up the efforts of El Ceibo, despite of those organizations which arrive to the region in order to provide help, aid or relief. The cooperative considers that development oriented partnership will ensure an improvement of living condition of farmers and their families.

The commercial manager explained that “... *the fields that were enforced when working with partnerships involved training and technical support. As a result members of the cooperative benefited from training in techniques to improve cocoa production, accountancy and cash flow management...*”. The different efforts of the cooperative, such as transfer of knowledge, purchase their own transport from Alto Beni to the factory; the creation of the chocolate processing factory, or selling their own finished products, are aimed to become more independent and pursue activities without intervention or influence of any partner or international agency working with El Ceibo.

This fact was specially highlighted by El Ceibo commercial manager, claiming that the cooperative is able to perform activities as an autonomous organization without any partnership or international development program. The presence of partnerships is explained by the need to enter new markets and satisfy better the demands and orders from customers overseas interested in the line of products that carry El Ceibo brand. Under this assumption it is understood that further partnerships are oriented to a better supply and merchandise of products in national and international markets.

8.2 Entrepreneurship

In the fair-trade and organic market, the cooperative is one of the best models of commitment and determination of its members. The cooperative has shown examples of entrepreneurial behavior when they decided to evolve from a cooperative of farmers into a chocolate factory. The personal attributes shown by its members through the performance of the cooperative, and the desire to explore new opportunities in the market are and evidence for entrepreneurship. Another example of entrepreneurial behavior is related to the decision of entering in international markets where there is a high level of competitiveness. El Ceibo could have focused on the national market only, get a strong position in the market, and then try to focus on international opportunities.

The efforts achieved by the cooperative are owned to the organizational attributes of El Ceibo. The directive of the cooperative understood that people working in the cooperative needed a higher qualification and training in order to pursue higher goals. At the same time, the strong organizational structure of El Ceibo was useful to implement development programs aimed to launch the entire cooperative to international markets and gain a position in the international value chain of chocolate. As a result members and employees of el Ceibo work together pursuing the same goals and obtain the benefits from the results.

However it is important to identify that the desire to pursue higher goals was an initiative from members of the cooperative, not an objective designed by a national or international development agency. In this matter results have shown that part of the previous assumption is confirmed when it comes to the entrepreneurial area. The directive of the cooperative saw the potential of the initiatives regarding entrepreneurship and got involved in projects ran by the Bolivian government and international development agencies.

8.2.1 The Organic Cocoa Project

In 2002 the Bolivian government evaluated the potential of cocoa production in El Alto Beni region and wanted to implement a development project in the region. Such evaluation praised the own initiatives of farmers in the region oriented to profit from organic production and sustainable development practices that preserved the environment.

The institution in charge of the project design was the Vice-ministry of Alternative Development Vice-ministry (VDA), and they focused their attention to el Alto Beni region due to the following reasons:

- El Alto Beni region is based on a ground which is not infected by a disease that causes high economic losses in other countries where cocoa is produced. Central America, Ecuador and Peru have experienced problems regarding the control of this plague in the cocoa farms (Henao, 2005, p.5)
- The government praises the high level of coordination among farmers, because there is a solid organization among farmers that promotes a higher volume of production, refinement and offer of cocoa beans and refined products in the national and international market (Henao, 2005, p.5).

The project was financed by the OEA and USAID/FAO, but the project was run by CATIE, a research center formed by experts of 14 Latin-American countries. CATIE performs activities in the scientific research, technical, assistance and postgraduate education to all countries members of the organization through the creation and implementation of development projects (Somarriba et al, 2005, p.7). This project was run alongside two local organizations in El Alto Beni: PATAGC (Technical Assistance Agency) and El Ceibo cooperative. According to the people in charge of the project, the only solution to poverty in the region was through the human development. As a result they coordinated activities with the cocoa producers and local organization that could provide support at the different stages of the implementation (Somarriba et al, 2005, p.7).

The general objective of the project was:

“Increase the legal incomes of 1700 families who produce organic cocoa in Alto Beni region.” (Somarriba et al, 2005, p.15).

The specific objectives were:

- *“ Diversify and increase the production and performance of 1700 organic cocoa farms*
- *Organize 1000 cocoa farmers, nonmembers of El Ceibo cooperative in legal established associations in order to organize technical assistance regarding production and sales of cocoa beans*
- *Increase the volume of cocoa beans certified and sold in the national and international market”* (Somarriba et al, 2005, p.15)

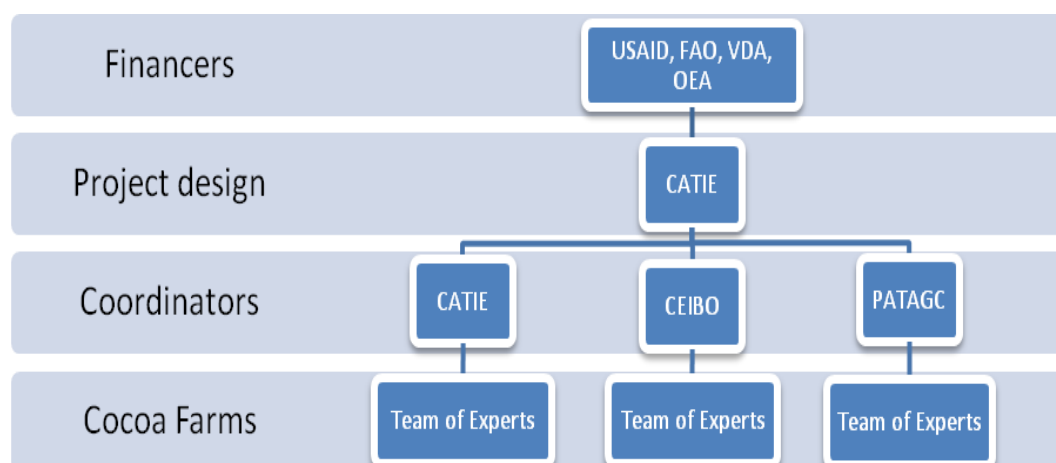
8.2.2 El CEIBO and the PCO: sustainable entrepreneurship

The project worked in cooperation with two local organizations in Alto Beni. One of the specific objectives of the project was to boost the volume of high quality cocoa bean produced by farmers who were non members of the cooperative. By doing so, non members could achieve the quality required to enter in the cooperative and increase the volume of cocoa offered to the national and international market. It is known that in the region the poverty and the level of incomes is very low and as a result the only way to introduce entrepreneurial ideas and behavior is through the empowerment of the association of farmers and the cooperative, as a motor of development in the region (Somarriba et al, 2005, p.29).

Such development implied an enforcement of initiatives that promoted sustainable development and entrepreneurial behavior.

The structure of the project was organized according to the graphic below

Graphic 6: Structure of the Project of in Alto Beni, Bolivia



Source: Somarriba, 2005

Since farmers do not have easy access to credit due to their incomes (2213 US Dollars a year on average), the entrepreneurial behavior relies on the skills of the cooperative to access to loans and investment in production or increase of quality that might open new opportunities in the market. But in order to perform well in the market the PCO considered that it was important to strengthen the structure and the organization of El Ceibo. PCO identified that:

“...the presence of well-established organizations such Central de Cooperativas El Ceibo and the strong links with the farmers in Alto Beni and their families in Alto Beni, La Paz, Oruro and Potosi, is an important asset that opens new development opportunities to entrepreneurial initiatives that use the natural richness and the agricultural experience among the farmers...” (Somarriba et al, 2005, p.30)

The PCO established organization and certification strategies. First, certification strategies involved to increase the number of farmer’s associations capable of supplying certified cocoa beans to be sold through El Ceibo cooperative in the market. Second, organize workshops were farmers are informed about the procedures to produce organic cocoa, and certify their production. PCO provided support to members of the association regarding data processing and information management related to farmers who wanted to certify their production. (Somarriba et al, 2005, p.30).

The marketing and industrial strategies involved El Ceibo as the main sales channel for the certified cocoa beans produced by the certified farms in Alto Beni. As a result PCO provided support to El Ceibo cooperative with:

- A diagnostic on the main industrial process of the factory built in El Alto. Once this task was completed, adjustments in the production line were performed (Somarriba et al, 2005, p.19).
- Develop a new orientation towards marketing management in El Ceibo cooperative. This new orientation was communicated to the managers of the cooperative, but the main objective of the PCO was to motivate them to use modern concepts of marketing. Modern concepts involved a higher focus on the needs and requirements of the market and consumers instead of a focus on the features of the product.
- The project pursued to train the personnel of the cooperative and the managers in business administration field. As a result they received training regarding cost accountancy, sales management, and market analysis. These skills would allow the managers to get a better understanding of the market, and carry out accurate policies regarding production and sales (Somarriba et al, 2005, p.19).

8.3 Marketing management

The last decade companies proved to have a stronger focus on the market due to the new requirements of the customers and the demand of products. This new scenario forces companies to conceive marketing strategies according to new trends and demands of the market. As a result, the focus on the features and properties of products which satisfied certain needs of the market was left behind. In this new situation consumers and the market set the requirements under which companies have to develop new products.

This marketing strategy focused on the features of the product was seen in the fair-trade market. Successful fair-trade campaigns showed a history of the product, how was it produced and the people behind this activity. But the main content of the campaigns involved the farmers and their lives. The objective of such campaigns was to raise the awareness among customers regarding the situation of farmers, and producers in terms of slavery, child labor, poverty and social issues.

In 2000, the international cooperation determined that El Ceibo cooperative had an inadequate marketing strategy, since the focus of it was the product instead of the consumer. The technical assistance discovered that the cooperative was producing many products without paying attention to what the market really required. A new marketing was created, whose objective was to change and reposition the cooperative, not as an association of farmers who were pursuing better live conditions, but a strong cooperative of farmers, who produce a high quality cocoa beans and a refined set of products whose objective is to compete in a very specific segment of the market: gourmet chocolates.

8.3.1 Fair-trade marketing: USAID and the perspective on the cocoa market

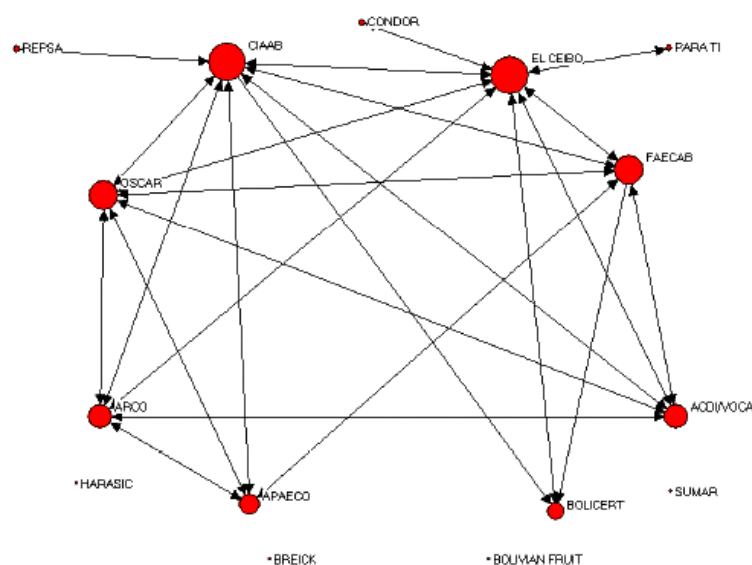
The cocoa production in Alto Beni Bolivia has increased since 1988. The success of production from El Ceibo cooperative was followed by other farmers who established in that region in order to emulate El Ceibo initiative. The cocoa production has achieved approximately 1000 tons of dry cocoa beans each year (USAID, 2007, p. 8). This production includes all associations and cooperatives that produce cocoa in the region. This production entails organic techniques and the preservation of the ecosystem in Alto Beni. Nevertheless farmers have diversified the production and cocoa plantations are mixed with fruits and other vegetables (USAID, 2007, p. 8).

In comparison with other countries where cocoa is produced, the volume produced in Bolivia is small. Nevertheless the Bolivian cocoa is well positioned in the international market, and its exports are praised in specialty markets (USAID, 2007, p. 5). In October 2007, USAID explained the acceptance and success of the Bolivian cocoa, implying that the growth from chocolate consumption was due to the international trends like:

“...well published health reports, introduction of super-premium, single origin and single plantation chocolates and the increase in environmental and social cause driven markets, such as organic and fair-trade chocolates...” (USAID, 2007, p. 5)

In the Bolivian market the cocoa chain is composed by 11 actors. Among these actors there are cocoa cooperatives and associations, nonprofit organizations, companies and international agencies in charge of certifying the cocoa beans and the production (USAID, 2007, p.13). The interaction between these actors and the importance of each of them is portrayed in the graphic below:

Graphic 7: Influence and level of interaction among the actors in the cocoa value chain in Bolivia



Source: USAID, 2007

From the graphic it can be inferred that El Ceibo has a big role and influence in the cocoa market in Bolivia, due to international recognition and influence over the cocoa production in the region. El Ceibo farmers have spread their knowledge in the communities and this has helped to improve the quality and production of cocoa (USAID, 2007, p. 19).

EL Ceibo cooperative was among the most successful examples and experiences of cocoa farming. However the cooperative faces challenges in terms of the quality of cocoa beans, its core competitive advantage in the market. Despite of the fact that the cooperative has grown and they are strong enough as an organization, USAID raised concerns about the quality of the product, due to a lack of knowledge and training among farmers (USAID, 2007, p. 20). At the time of collecting cocoa from farmers, people in charge of this task are not qualified enough to grade and classify cocoa according to quality. This fact lowers the volume of high quality beans and hinders the cooperative to increase revenues (USAID, 2007, p. 20).

The concern regarding quality increases when analyzing the value chain upstream. Farmers are not well trained in terms of quality selection and a uniform result. Farmers apply different technique when drying cocoa beans. Some farmers use old techniques that were learned by the first settlers in 1970. Other farmers use modern techniques and as a result, the quality is not only different, but some farmers send their production faster than others (USAID, 2007, p. 24).

According to USAID, 70% of the cocoa produced by the communities of farmers spread in Alto Beni region and sourced to El Ceibo has a low quality (USAID, 2007, p. 23). This problem shows that the cooperative lacks of efficient control measures and incentives to encourage farmers to produce a better quality cocoa. Even if these facts are technical and belong to the agriculture field instead of the managerial, the high volume of poor quality cocoa undermines opportunities abroad to sell bigger volumes and increase revenues. This situation is well exploited by smaller cooperatives of farmers that produce lower volumes of cocoa, but with a higher level of quality on average (USAID, 2007, p. 24).

Some limitations regarding the management in El Ceibo were identified by USAID. The cooperative has set some barriers to allow more farmers to join the benefits and opportunities that members of El Ceibo have. To become a member of El Ceibo cooperative farmers have to associate in the communities and pay a monthly fee and a membership that some farmers cannot afford to pay (USAID, 2007, p.11).

The management has been struggling to have more access to markets abroad, where organic cocoa bean is offered. Although the cooperative and the management has built strong relationships with their members and international customers, they have not gone abroad searching for more markets and new opportunities to trade and offer their range of products. According to USAID, one of the possible explanations is working with a manager that does not speak foreign languages (USAID, 2007, p. 24).

8.3.2 Brand Positioning: The PCO Project

The Organic Cocoa Project (PCO) ran by development agencies with the financial support of the Bolivian government and international development agencies, hired a consultant agency in order to provide technical assistance in the marketing management field to the cooperative. Somarriba et al, explain this assistance which included the implementation of the following strategies in the national market:

- A better and more precise focus on the national market, providing more attention to the segment of higher incomes in the big cities of Bolivia: La Paz, Cochabamba and Santa Cruz.

- Redesign the entire line of products offered by El Ceibo. This restructuration implied to reduce the products from 30 to 8, and add more according to the requirements of the market and the new marketing strategy.
- Build a corporate brand from El Ceibo Cooperative, which is shown in new packages, messages and logos. This new brand name should be properly displayed in all marketing campaigns, products and brochures.
- Organize more efficiently the sale points by relocating the shops and design a better way to display the products in the stores.
- Increase the distribution channels and use intermediaries to cover the market.
- Increase the number of defendants in the chocolate shops and provide them a better training to increase sales (Somarriba et al, 2005, p.19).

8.3.3 Marketing Management: Chloe Chocolat

Chloé Doutre-Roussel is a chocolate consultant who provides technical support in the chocolate industry regarding training and product development. She has worked in different countries and provided assistance to famous companies that produce high quality chocolate and cocoa producers. Her main task with contractors is to train them to select qualities of cocoa beans, provide advice regarding production in all stages of the chocolate production chain. Due to her work and knowledge in the field, Chloé Doutre-Roussel is among the most famous and respected expert in the chocolate industry (Miller, 2010).

Part of her experience comes from the time she was in charge of cocoa bean purchases for Fortnum & Mason and the knowledge she has gained through her passion over chocolate (Chloe Chocolat, 2011). Her opinion and experience in the industry of chocolate was applied in Bolivia, when she visited El Ceibo cooperative in 2007 (Doutre-Roussel, 2011).

8.3.4 El Ceibo Cooperative and Chloe Chocolat

Chloé Doutre-Roussel explained how her first contact was initiated: “...in 2007, *El Ceibo* asked for support to the *Nuevo Norte Foundation*, an organization run by Bolivian professionals that receives the support from Danish subventions and Bolivian Enterprises, and their objective is to support the development of producers in La Paz...the foundation looked for an expertise through Google and found my name...”.

The project developed by the cooperative pursued the implementation and design of a new line of chocolate products, which could be sold in international markets (Fundacion Tierra, 2010). Dautre – Roussell explained that The Foundation chose her because of her reputation and because she lived in Bolivia for 4 years. Besides this she knew about the chocolates produced in the country. The consultant was in charge of a quality analysis of the cocoa produced in the region. The results obtained provided possible ways to process and obtain a high quality chocolate. The study included a market study for the new line of chocolate products in the national and international market (Nueva Economía, 2007, p.6).

According to Dautre-Roussel, the assistance provided to the cooperative helped to create a line of products whose features and taste could compete in European markets. The result was the creation of four types of chocolates whose quality could be compared to the one produced by well-known brands in Switzerland or France. To verify this fact, test were carried out in 2008 and 2009 in France and Japan, in order to evaluate the acceptance of the products (Fundacion Tierra, 2010).

Dautre-Roussel explained that she wanted to create products that could truly represent the essence of the cooperative, the country and the cocoa produced in Bolivia. The four new products were: Heritage Cocoa Beans; Bolivian specialty Coffee; Fine dark chocolate and 77% Dark chocolate, with cocoa nibs and Uyuni salt. The entire range of new products was created and developed with the close collaboration of Chloe Chocolat. (El Ceibo, 2011). Soon the interest of the Consultant and her chocolate store in France increased. She explains that:

“...between Chloe Chocolat and El Ceibo there is an agreement which entitles me to provide support each year to create products, design the packages and the website, as well as control the quality, and provide assistance in all the stages of marketing which includes to find more distributors...”

Such partnership with the cooperative reached a high peak in February 2011, when El Ceibo cooperative and Chloe Chocolat opened a store in Paris. Chloé Dautre-Roussel acts as a representative of El Ceibo cooperative in Europe. As a representative, she is in charge of the distribution and promotion of chocolate produced by El Ceibo. 100% of the incomes from sales in the European market go directly to the cooperative and there is no commission or distribution fee charged by Chloe Chocolat to market the products.

8.4 Strategic Partnerships

El Ceibo cooperative was created because farmers wanted to join forces and have bigger power over the intermediaries or buyers who purchased cocoa beans at low prices. 30 years later, the cooperative is famous because of its success at producing and exporting high quality organic cocoa beans. Such effort shows a strong commitment of the members of El Ceibo. However this success was possible with the technical support and assistance of expertise in the field, who shared their knowledge to farmers in order to improve the quality of cocoa beans, increase the volume produced and certify the production.

Development agencies got interested to work and join forces with a cooperative which produced a highly demanded commodity and had a strong structure with well-organized members. Development agencies acted as partners in order to run projects to achieve different goals in different areas alongside the structure of the El Ceibo. Some projects were aimed to train the farmers at the production and process of dry of the cocoa beans, while others were focused on the selection and classification of quality of the cocoa beans at the collect center in Alto Beni.

In the managerial field, El Ceibo cooperative worked together with experts who designed better procedures in accountant and budget administration. Some members of the cooperative had knowledge about management, but since the cooperative achieved an international certification, it implies that employees should perform exporting duties and trading with foreign countries. Such skills had to be enforced as well as the procedures to export and sent the orders to different countries, most of them in Europe. One of the big problems that partners faced in the managerial area was that employees in charge of exports and trading with foreign markets only spoke Spanish.

Even with a strong structure and the commitment of its members to develop and improve the performance and production, El Ceibo required partners who could be able to invest or provide resources to run projects. Development agencies such as OEA, USAID, IAF and Oikocredit were counterparts in projects to be implemented in the region and that involved the collaboration and mutual support with members of El Ceibo. In other cases, international microfinance institutions provided the cooperative resources to finance projects such as: strengthen their value chain in terms of transport of the production to the factory in the city, or provide farmers better tools to dry the cocoa beans.

Income levels among farmers in El Alto Beni are known to be low, there is not much left after the month that can be used as savings or investments. It is a fact that El Ceibo could not afford to finance with the incomes of sales the equipment nor the infrastructure of the factory in La Paz. To achieve the place where the cooperative is now in the international market, or the production performance, it would have taken them a lot of time and investments; probably they would have never achieved it. Hiring experts to evaluate the production, train farmers in production and quality selection, are examples of task which involved economical investments.

8.4.1 Fundación Nuevo Norte

This development organization was founded in 2005 and pursues the development of the state of La Paz in Bolivia. Professionals, businessmen and scholars provide knowledge and funds to support development projects in La Paz. The foundation works under three ideas:

- Create bounds among the different productive sectors of the society in La Paz, to promote a higher investment and development in the regional economy through value adding activities and an increase of competitiveness (Fundacion Nuevo Norte, 2011).
- Increase the management skills among businessmen and entrepreneurs. To do so, the foundation created an office in charge of technical support and coordination with managers of enterprises and organizations (Fundacion Nuevo Norte, 2011).
- Enhance the image and role of enterprises in the local economy. The foundation considers enterprises and productive associations important actors in the economic development of La Paz, and as a result their managerial and organizational skills should be enforced (Fundacion Nuevo Norte, 2011).

El Ceibo Cooperative and Fundación Nuevo Norte have been working together from the beginning of creation of the foundation. The first time, the cooperative received technical assistance and support regarding training members of the cooperative to the production of high quality chocolates. However the reason why the cooperative contacted the foundation was completely different: the cooperative wanted to install a refinement plant of organic sugar (Molina, 2010, p. 29). According to Molina (2010), the foundation choose to focus on the skills farmers had instead of diversify the production in the region of Alto Beni.

The Foundation sponsored the study and technical evaluation of Chloé Doutre-Rousell, who designed a line of products according to the quality and features of the cocoa produced by El Ceibo. The new products were tested in different expositions and chocolate events overseas (Molina, 2010, p. 30). This first initiative under the sponsor and cooperation of the foundation opened new markets for the cooperative, and soon farmers saw how part of the production was sold in markets; they never imagine selling (Molina, 2010, p. 30).

The foundation works under a paradigm, which involves postpone any productive solution whose main driver is scale production and an increase of price. The most relevant decision regarding efficient production should be create new markets and develop the products to differentiate them from the rest. This process will create competitive advantages and opportunities in niche markets, and as a result higher incomes for producers (Molina, 2010, p.31). The foundation baptized this paradigm as Walisuma, an indigenous word that stands for the best.

In this matter the foundation tried to create a new image for El Ceibo cooperative. This image implied that people purchase the chocolates because they praise the quality of the products instead of the pity resulting from the conditions in which farmers live. The foundation pursued that the cooperative should focus on transmitting achievements instead of limitations, an idea that will enforce and encourage the members of the cooperative to improve their productivity and as an ulterior result, their life quality (Molina, 2010, p. 32).

Nuevo Norte foundation has unveiled a project with El Ceibo cooperative. This project involved a higher volume of exports into markets overseas. According to Nuevo Norte, the opportunities for the cooperative and their products were:

- Higher volumes of cocoa beans are required in international markets and the demand level is not met by the producers.
- Gourmet chocolate demand is increasing. This type of chocolate is produced by El Ceibo.
- The cooperative has a solid organization, and has a well-established productive value chain.
- El Ceibo cooperative had the objective to produce high quality chocolate for export.
- The support of a famous expertise in the chocolate industry (Fundacion Nuevo Norte, 2010).

The general objective with this project was to find markets and niches for the cocoa bean produced in Bolivia. Nuevo Norte plans to expand the production of cocoa and enhance the quality of dry cocoa beans. This task will ease the selection and increase the volume of cocoa bean with high quality the project involves technical support alongside the entire value chain of the cooperative, from the farmers in charge of cocoa bean production until people in charge of packaging the final product (Fundacion Nuevo Norte, 2010). This objective included the production and refinement of the cocoa beans into a high quality chocolate, exporting a value added product sourced from high quality cocoa beans. Two new products were launched to achieve this objective and enter to the gourmet market:

- The 60% Bolivian Specialty: dark chocolate mixed with a high quality coffee bean produced in La Paz.
- Heritage Cocoa Beans: a limited edition of chocolate produced with special cocoa beans harvested from cocoa trees, which were found in the rain forest (Fundación Nuevo Norte, 2010, p. 11).

To achieve higher volume of sales, the foundation pursued higher skills to run the marketing management in the cooperative. The cooperative was benefited from a better marketing management in that, chocolate entered to the American, Japanese and European markets. In the European market, chocolates produced by El Ceibo entered to markets in Germany, Great Britain, Switzerland, Belgium and France (Fundación Nuevo Norte, 2010, p. 11).

8.4.2 The German Cooperation

The DED (Deutscher Entwicklungsdienst), also known as German cooperation started working 40 ago in Bolivia. The cooperation locates German professionals and specialists in different areas to work in different development projects implemented or sponsored by the German cooperation in the country. As a result professionals and organizations work today with Bolivian counterparts pursuing Poverty reduction; sustainable and autonomous development and preservation of basic life condition (DED, 2011).

The German Cooperation works in three specific fields: State and Democracy, Sustainable agricultural development and basic services. In order to achieve objectives in these areas, the German cooperation provides institutional technical assistance through experts, who work in

projects that last between 2 and 5 years. The cooperation provides financial support to NGO's working with democracy development and autonomous initiatives (DED, 2011).

In Alto Beni, the German cooperation has work in order to promote sustainable development and agricultural practices that preserve the environment. DED assists and support strategies through the implementation of agricultural management plans oriented to preserve the production and promote sustainable development. Most of the assistance was performed in farms where cocoa beans were produced. DED explains that “...*the introduction of a sustainable use of the soil and the enhancement of the quality of cocoa beans has reduced the pressure over the rainforest...*” (DED, 2011)

8.4.3 The German Cooperation and El Ceibo Cooperative

An anonymous member of the German Cooperation explained that El Ceibo cooperative was benefited from the German Cooperation when important experts and organizations were contacted to provide assistance and establish partnerships with the cooperative. Some chocolate factories required organic cocoa and as a result the German cooperation contacted them in order to offer the products that El Ceibo was offering. However one of the biggest obstacles was that the cooperative did not have the organic certification, and the risk of tropical diseases to attack the cocoa trees.

To overcome this problem the German cooperation contacted expertise in the field that trained farmers in effective agricultural techniques. The first challenge was to produce and protect the coca farms from diseases using organic methods and obtain the organic certification.

In the interview it was explained that: “...*The effects of such measures were seen when chocolate companies were interested at purchasing the organic cocoa beans produced by El Ceibo. Cocoa mass, cocoa butter, cocoa powder and other refined products were highly praised in international markets and this situation opened new options to long term agreements between chocolate companies and El Ceibo...*”. As a result the cooperative became a cocoa supplier to factories in Europe starting long term relationships under contracts.

The source explained that contracts with supplier overseas do not turn the cooperative into another cocoa supplier for factories, but a trade partner whose interests and independence of decision is not threatened by the contracts signed between El Ceibo and chocolate companies. The results of the assistance proved to encourage the members of the cooperative to become autonomous instead of rely entirely to the assistance and support provided from other organizations. The support and technical assistance from the German cooperation were oriented to encourage El Ceibo to behave entrepreneurially. Once the basic tools to start trading with companies overseas and in the national market were given, the cooperative should start to pursue entrepreneurial investments to increase the quality and sale its products at better prices.

According to the employee at the German Cooperation, such tools and support provided to El Ceibo consist of:

- *“Knowledge about the international cocoa market*
- *Be aware of the measures to pursue in order to overcome fluctuations in cocoa beans prices in international markets*
- *Techniques to improve the quality of cocoa beans produced by farmers in Alto Beni.”*

Through the last 30 years of partnership between the German cooperation and El Ceibo, the cooperative benefitted from volunteer working, professionals, and organizations that transmitted knowledge to the cooperative. The partnership with the German cooperation was able to introduce El Ceibo to a bigger network of contacts in Europe. Each professional and organizations brings more possible contacts to the cooperative, contacts that can become potential partners who need the products sourced from El Ceibo.

8.4.4 Trading partnerships: Claro

Claro is a Swiss organization that trades items produced under the fair-trade scheme in the Southern Hemisphere. It was founded in 1977 under the name OS3. Their mission is to source high quality products, natural and unique specialty goods. By doing so Claro provides the people in charge of the products long – term relationships. This mission involves the promotion of sustainable development in the region where their partners perform activities and investments that secure channels of distribution for its partners in the South (Claro, 2010).

Claro expresses its compromise to their commercial partners that work in the fair-trade scheme by direct and transparent negotiations. Producers that trade with this organization have access to markets in the Northern hemisphere through their world shops, where ecologically sustainable and unique products are offered. Claro explains that there is continuous improvement of the distribution and logistics alongside the value chain.

According to the representative of Claro, the organization provides technical assistance and transfer of knowledge to their partners in the Southern hemisphere. This support to their partners seeks to spread the knowledge of the experts working at Claro among producers and farmers that source products to the organization. This transfer of knowledge wants to ensure a competitive position in the market and through the implementation of innovative ideas.

8.4.4.1 Claro and El Ceibo cooperative

Claro has started their partnership with El Ceibo in 1985, becoming one of the first trading partners for the Swiss organization. At the beginning the organization purchased the cocoa sourced by the farmers in Alto Beni, however trading partnership was strengthen when Claro launched their fair trade chocolate with the chocolate factory Bernrain (Claro, 2010).

According to Fabio Sagliocca, who is in charge of monitoring and producers support at Claro: “...*El Ceibo received support in order to achieve the certification of the cocoa beans in the Fairtrade Labelling Organization, and the organic certification. With the joint work of Bernrain chocolate factory, Claro, and the cocoa beans sourced by the cooperative the first fair-trade chocolate was launched...*”. This chocolate was called Mascao, and was the first in the world produced entirely by fair-trade raw materials. In order to produce Mascao, Claro purchases cocoa powder processed in the factory of El Ceibo in La Paz. By purchasing fair-trade cocoa the cooperative Claro pays premium that is used in development projects in the communities were farmers of the cooperative live.

Sagliocca added that: “... *The activities carried out with the cooperative are aimed to ensure the supply of cocoa beans and chocolate powder to Claro. The collaboration and the joint work with El Ceibo in a specific area: the production of cocoa beans, the process of drying the beans and the process of turning the dried beans into powder. As a result, farmers receive workshops and training in order to provide better tools to work on the production of cocoa bean in the farms...*”

According to Sagliocca in the process factory in El Alto, Claro provides support with their specialists in the production and refinement of chocolates. Such support pursues to obtain a high quality chocolate according to international standards. This process starts at the selection and classification of beans until the chocolate bar is finished.

El Ceibo cooperative has benefited of the network in which Claro works because that is how another important network of fair products started to purchase the chocolate produced in Alto Beni. Artisans du Monde in France explained that they discovered the quality and features of the organic cocoa beans from El Ceibo through the Swiss organization. This contact made it possible to the cooperative to have another important trading in the European market.

8.4.5 Finance Partnerships: Grants and loans

The progress of the cooperative is partly explained by the efforts and commitment of farmers, but it is a fact that it would have taken several years to achieve the current performance of the cooperative without the investments and assistance El Ceibo received. Farmers could not afford to invest at a scale it was done in Alto Beni. International partners played a big role by providing financial support at the different stages of development of El Ceibo. Economical resources were required whenever the cooperative wanted to increase the infrastructure or buy industrial equipment. Among the international organizations which provided financial support to the cooperative, the Inter American Foundation (IAF) and Oikocredit played an important role.

8.4.5.1 Inter American Foundation (IAF)

The IAF was created in 1969 and it is a United States agency that supports and promotes development projects in Latin America and the Caribbean. Its purposes are stated in the American Constitution: “...according to Part IV, Section 401 (b) of the Foreign Assistance act of 1969, it shall be the purpose of the Foundation, primarily in cooperation with private regional and international organizations” (IAF, 2011).

The grants are provided in order to coordinate with locals, their organizations, non-governmental agencies, entrepreneurship projects, provide more power to poor sectors of the society in order to solve social issues and promote self-reliance (IAF, 2011). The IAF provides grant according to an evaluation of a nine member board of directors who are appointed by the President of the United States and confirmed by the Senate.

Since 1970, the IAF has provided grants in order to consolidate and organize small cooperatives together in a single and strong cooperative named El Ceibo (Martinez, 2008). The projects implemented under the Foundation helped to design and create effective transport ways from Alto Beni to La Paz. Another projects supported by IAF were: process of cocoa beans, train farmers in other countries, establish a chocolate factory, and implement marketing strategies for cocoa beans (Martinez, 2008). El Ceibo cooperative has received over 20 years different grants in different years, but all together the amount receive from the Inter American Foundation was 500,000 US dollars (IAF, 2005, p.2).

8.4.5.2 Oikocredit

Oikocredit is a microfinance organization created in Germany in 1968. The mission of this microfinance organization is to promote “...*global justice by challenging people, churches and others to share their resources through socially responsible investments and by empowering disadvantaged people with credit*” (Oikocredit, 2011). Oikocredit pursues effective investments of credits and social impact through credits in 70 different countries. Each organization is entitled to provide reports and case studies from local organizations and individual borrowers.

El Ceibo cooperative worked with Oikocredit for 21 years and this relationship finished in 2009. Oikocredit reduced the debt with the cooperative to 50% after an analysis of the development and achievements of the cooperative during 21 years of work (Oikocredit, 2010). In 1987 El Ceibo received the first loan from Oikocredit. 80,000 US dollars were provided in order to obtain the Fair Trade Certification. One year later the cooperative was granted with this certification, opening more opportunities for Bolivian cocoa bean production (Oikocredit, 2010). In 1997 the cooperative received a second loan for 250,000 US Dollars and a third one in 2001 for over 700,000 US dollar, both of which were used to implement a chocolate factory in El Alto. In 2007 El Ceibo cooperative borrowed 800,000 to acquire machinery to process and refine cocoa beans (Oikocredit, 2010).

CHAPTER IX: CONCLUSSIONS AND DISCUSSIONS

9.1 CONCLUSSIONS

El Ceibo cooperative was founded in 1977 by farmers who moved to Alto Beni region, North of La Paz, Bolivia. Farmers were given pieces of land in order to produce cocoa beans in an extremely humid region close to the rainforest. Today is an example of success in the fair-trade and organic cocoa market all over the world. This master thesis analyzed the drivers behind this successful initiative. Throughout more than 30 years the cooperative received technical support and assistance of different organizations and professionals who transferred their knowledge and experience in cocoa bean and chocolate production. Such support arrived to the region as partnership, meaning that this cooperation was never considered as an aid or help, but a common work and transfer of knowledge among partners.

This master thesis pursued to test the validity of the following assumption:

Technical assistance obtained through international partnerships, can improve the management, organizational skills and market network of a cooperative that produces organic and fair-trade cocoa beans in Alto Beni, Bolivia.

In order to do prove the validity, information and data collected were analyzed through triangulation, which involved verifying the versions from different sources such as interviews and bibliographic research in order to compare the perception about one topic: partnership. The findings show that the members of the cooperative have different opinions regarding what partnering means. This different perspective is partly explained by the wrong definition and meaning of partnership among the members and executives at the cooperative.

According to the information collected alongside the research, it was found out that the cooperative received a high level of assistance and support for international partners since its foundation, hence, the proposition stated above is valid. When asked about the general support the cooperative received, the manager claimed that the cooperative never received any support from development agencies, and the only support they received was from the German cooperation and the Inter American Foundation (IAF). The manager from the cooperative added that the progress and success of the cooperative was due to the commitment and hard work of every member of the cooperative.

During the research, Issues and problems of El Ceibo were identified. The cooperative has evolved little by little and alongside this process failures have been faced. Inadequate processes performed when drying the cocoa beans led to a heterogeneous quality of the beans. This fact was explained by the different drying techniques performed by the farmers, some farmers could afford to improve the quality of cocoa beans while others got stuck. The line of products offered was too wide; the aim was to cover the entire market instead of focusing in the segment where the products from El Ceibo could have a higher volume of sales. There was little knowledge about the real potential to launch the products in international markets, because people from the cooperative were not aware of them. Parts of such problems emerge from a real fact about El Ceibo: most of the farmers that arrived to Alto Beni and had no basic training or knowledge about agricultural techniques. People decided to migrate from the mines when metal prices dropped. As a result they produced cocoa beans according to what they considered as correct.

Nevertheless, it is important to praise the commitment of the entire cooperative to grow and pursue the success. The organizational structure of El Ceibo is very strong and this structure has remained since its foundation. Most of the achievements were conquered by the hard work of farmers and workers in the cooperative, but in order to achieve higher results, they needed to join forces with expertise and organizations that gave a boost on the production of fine chocolates and good quality cocoa beans.

Such support and assistance was seen in key moments of El Ceibo's progress. Financial support to buy their own transport through the tricky roads between Alto Beni and La Paz; purchase the equipment required to process cocoa beans and turn it into chocolate; organize workshops and training sessions to farmers in order to achieve the quality and agricultural techniques required to obtain organic and fair-trade certification; redefine and design products, packages and marketing strategy according to the European chocolate market, are some examples of what international partners have done alongside El Ceibo.

The structure of the master thesis focuses its attention to three areas where partnership with El Ceibo was analyzed: Strategic partnership, entrepreneurship and marketing management. The three areas provided material to test the validity of the proposition. However it is important to sum up what were the relevant findings in each area:

9.1.1 Entrepreneurship

The cooperative has an entrepreneurial behavior, but they lack of an important aspect, enough economical resources. El Ceibo claims to be autonomous and independent, and that is capable to perform activities without the technical support of international organizations. However the cooperative periodically applies to grants in order to acquire more equipment or buy assets that will bring more incomes by sales. Examples of entrepreneurial initiatives implied the cooperative increasing the cocoa bean production, increase the quality, obtain the organic certification, and develop products for the national and international markets.

The German Cooperation explained that any cooperation provided to El Ceibo is planned to empower the members of the cooperative and perform activities without relying on the international support at any level. The German cooperation has contacted chocolate factories that are interested in the cocoa produced in Bolivia, as a result purchase agreement were signed and the cooperative trades with them without any intermediaries.

9.1.2 Marketing management

Another interesting finding regarding marketing management support, involved the close coordination with important actors in the international chocolate industry. El Ceibo has achieved to build a strong network of contacts which is the base to a strong distribution channel. The cocoa beans and chocolate from el Ceibo are offered in several countries such as France through Chloe Chocolat and Artisans du Monde; Germany through a network of fair-trade shops; and Switzerland through Claro. These organizations are a good window for the cocoa beans and chocolates produced by El Ceibo, people can have access and know about the line of products and references of their quality and the story of the cooperative. This is a very effective communication technique, because consumers have access to the story behind the purchased products.

The cooperative wanted to enter to international markets, and professionals from the chocolate industry performed a diagnostic to redesign the line of products of the cooperative. The person in charge of such task was Chloé Doutre-Rousell, a French expert who lived in Bolivia. She explained that the chocolate produced by the cooperative has a huge potential but the oversized line of products sourced in the factory in El Alto did not show the real quality of cocoa beans produced by El Ceibo.

According to Doutre-Rousell, the cooperative was able to produce a chocolate whose features could provide an advantage in the segment of fine chocolates in Europe. As a result a new marketing strategy was unveiled. The cooperative launched for chocolate bars oriented to enter that segment of the chocolate market. Alongside with the products, a new package was created, showing a brand image that represented the efforts and commitment of farmers in order to provide a high quality product.

The cooperative uses an effective communication strategy; most of the international fair-trade websites have information from El Ceibo and the products they offer. The advertisement about their products involves telling the story of how to produce the chocolate and lives of people in charge of such task. This type of information will be found after a search about fair-trade cocoa.

9.1.3 Strategic partnership

The official spoke person at the cooperative, the commercial manager, denied the fact that they received any donation or technical support. Nevertheless, it was discovered on public releases from different agencies that the cooperative applies to grants and loans to run projects. The relationship for over 21 years with microfinance institution Oikocredit is an example of this point. El Ceibo obtained credits in order to finance purchases of more equipment and infrastructure too. Another important investment was done by the PCO project in 2001. The OEA and USAID partnered El Ceibo and provided funds to run a development project in Alto Beni, where not only the cocoa production of the region was improved, but the cooperative in the department of sales and marketing. The German cooperation and Nuevo Norte Foundation contacted expertise in the chocolate industry to provide the tools that the cooperative required to certify the cocoa bean production to the Fair Trade Labeling Organization or obtain the organic certification.

Other clear example of strategic partnership is the joint work with Claro in Switzerland, an organization that has been engaged in a long term agreement with the cooperative. This agreement involves the supply of cocoa beans and cocoa powder. These products are refined and turned in to chocolates that are sold in world shops. The cooperative receives technical support from Claro in order to boost and offer a homogeneous quality. Nevertheless such cooperation is related to the trade agreement between both parties.

All organizations that provided support to the cooperative brought knowledge and experience that the cooperative required. Besides the support, partners spread the experiences in Alto Beni with the cooperative, which allowed El Ceibo to become known overseas and enter to international networks where cocoa beans and chocolate is traded. Institutions such as the Inter American Foundation and Oikocredit provided financial support when the cooperative required acquiring assets to implement the chocolate factory in El Alto.

9.2DISCUSSION

Three topics of study were covered in the master thesis: strategic partnership, marketing management and entrepreneurship, but the results unveil more questions regarding the same topic. Such topics are related to the relationship between the partnerships and the future effects of such relationships over the community and the environment.

One of the first questions emerging from the results is related to the achievements of El Ceibo and the real chances of obtaining the same results without any cooperation or international support. It is interesting to analyze to which extent was it possible for members to obtain enough resources to purchase assets and hire the professionals that design the marketing strategy in the local market and launch the products in the European or American market.

The second topic involves the environmental effects of cocoa bean production. When the demand increases farmers are forced to increase the surface where cocoa trees will be planted, using the rainforest. This fact can harm the environmental friendly techniques to produce cocoa beans. On the other hand, the increase of incomes would bring development to farmers who rely on the cocoa sales to support their families.

The partners and technical support has brought development to Alto Beni and El Ceibo. But the question from this situation involves the dependency to the international support and technical assistance from partners. The cooperative could start to rely only on international partners to increase sales, improve the quality or design a better marketing strategy. As a result the entrepreneurial behavior would disappear leading to a passive orientation over development.

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APPENDIXES

1. Questionnaires used during the interviews with international organizations

1.1 Interview with international partners (German Cooperation and Claro)

General information

How were you contacted by el Ceibo? / How did the contact start?

What is the reason that made the organization choose to work with el Ceibo?

How long is your organization working with el Ceibo?

Partnership

What were the objectives of the partnership at the beginning?

What were the challenges when pursuing these objectives with el Ceibo?

What have been the results so far and the future challenges regarding the partnership?

Entrepreneurship

Is the focus of your assistance to turn El Ceibo cooperative an independent and autonomous actor in the international market?

Do you think than entrepreneurial behavior will help them to become independent?

Which management and organizational skills were transmitted to the cooperative?

Do you think El Ceibo cooperative prepared enough to continue working alone?

Marketing Management

What did the objectives regarding marketing management consist of?

What were the biggest challenges your organization faced when you started to work with El Ceibo?

Which areas had to be enforced in order to achieve the objectives?

1.2 Interview with El Ceibo Cooperative

The following questions are related to the business administration field.

1. Is there a difference before the foreign aid began its activities in Alto Beni and the results and performance of the cooperative? Why?
2. What are the international partners that contributed to the success of the cooperative? Why?
3. In which international assistance was offered to the Ceibo?
4. What tasks were prioritized when training members of the cooperative in the administrative field?
5. What was the training to handle exports?
6. Since 2000, what was the technical assistance in the field of management that the cooperative received by the international partners?
7. What is the objective of NGOs and international volunteers when they provide technical assistance to El Ceibo: create new markets for cocoa or improve the organization / management of the cooperative?
8. The cooperative is able to operate without any help from partners or assistance?
9. It grew out of an own initiative to create a cocoa processing factory in El Alto?
10. How do you evaluate the international assistance provided to the cooperative?

1.3 Interview with Chloé Dautre-Rousell, owner of Chloe Chocolat

1. When did the contact with El Ceibo Cooperative start? Who contacted Chloe Chocolat in Bolivia? Which was the main objective?
2. What did the support to El ceibo consist of?
3. Why did Chloe Chocolat begin a partnership with El Ceibo cooperative?
4. What is the link between both companies at the moment?
5. Is there a commercial agreement between El Ceibo and Chloe Chocolat?

2. State of the production and exports of organic cocoa

Region / Country	Date	Organic production (in tonnes)	Organic exports (in tonnes)
<i>Africa (6)</i>		<i>3,000</i>	<i>1,770</i>
Ghana	2005	n.a.	n.a.
Madagascar	2003	1,500	1,500
São Tomé		n.a.	n.a.
Tanzania & Uganda	2005	1,500	270
Togo		n.a.	n.a.
<i>Americas (14)</i>		<i>11,738</i>	<i>8,638</i>
Belize	2004/05	33	33
Bolivia	2003/04	400	400
Brazil	2005/06	1,100	50
Columbia		n.a.	n.a.
Costa Rica	2004/05	300	300
Cuba		n.a.	n.a.
Dominican Republic	2004/05	5,000	5,000
Ecuador		n.a.	n.a.
El Salvador	2005	30	30
Mexico	2005	2,500	600
Nicaragua	2004	98	98
Panama	2005	350	350
Peru	2005	1,850	1,700
Venezuela	2005	77	77
<i>Asia and Oceania (4)</i>		<i>762</i>	<i>762</i>
Fiji	2002	50	50
India	2005	12	12
Sri Lanka	2005	200	200
Vanuatu	2002	500	500
<i>Total identified</i>		<i>15,500</i>	<i>11,170</i>

Sources: ICCO surveys (2006 & 2005), IFOAM (2006), SIPPO (2002), FLO-International, EPOPA, competent national authorities in Europe and international news agencies.

Note: In view of the limitations of data availability, such estimates should be regarded as provisional and should be used with due caution